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# Soviet Union

## Economic Affairs

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# Soviet Union

## Economic Affairs

JPRS-UEA-91-008

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Privatization Seen To Worsen Inflation

914A0361A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 11 Jan 91 p 1

[Article by S. Bobrovskiy: "The History of One Shameful Disease: A Point of View"]

[Text] Lev Davydovich Trotskiy, when he was still in power, gave an order to hang in all finance-related institutions this merciless, but fair slogan: "Inflation Is an Economic Syphilis."

When it comes to the current government, it has been chronically ill with this shameful disease—inflation.

The unmet demand for consumer goods has long gone over 150 billion rubles [R]. National debt, according to economists' calculations, today stands at R600 billion. That is R2,000 for each soul, including babies. This is the sum our government "borrowed" from each of us. And it looks like it will leave without paying its debts. In the villages, since time immemorial, people get beaten up for things like that. In legal-based states people are indicted for that. As to us, we will, most likely, sympathize as we say good-bye: After all, there was no malice or gain; they did not get a penny from it.

Now even the counterfeiters have switched from making fake rubles to counterfeiting vodka chits, coupons, etc. Only the Cabinet of Ministers persistently continues to print money. Such "sleight of hand" permits turning citizens' rubles into half-rubles by remote control. This is what inflation is—devaluation of money. It is no surprise that people started running away from this sick, "contagious" ruble as if it were a plague. Private citizens responded by panic buying; party-member directors, by barter; and nonparty entrepreneurs, by hard currency blackmail. The mafiosi hide the goods—the peasants hold back the food. Everybody, without exception, is trying to save himself from the ruble in any way available to him. (I, for instance, just exchanged a not-so-new refrigerator for a brand new vacuum cleaner through a classified ad.) All newspaper investigative reports—whether it is a story about canned meat, fresh pork, or newsprint—for some strange reason bring one to the same conclusion: **what is not there is in fact there, only for some reason it is not for sale.** They say it is "the market running amok," but no, it is the dying ruble. Therefore, the problem of the national trade system can be solved in several ways. The most familiar and tested method is to station a militiaman with a dog by every store and every tobacco kiosk, provided that the dogs are changed often enough that they do not get corrupted by treats. However, if we suddenly decide that the dogs should do what they do best—chase the bandits—then we are back to trying to nurse the ruble to health.

Briefly, here is the current state of the illness: There are too few goods in the country (expressed in current

prices), while, on the other hand, there is too much paper money—the curve points to beyond the clouds. The pressure differential (excess rubles not backed by goods) is already intolerable—a balance is needed.

Option one: To raise prices so much that their total sum would be equal to the sum of the already printed money. They say this is not an option, since shock therapy is incompatible with humane principles of our society.

Option two: While keeping prices at the same level, raise the production pace, make more goods, and thus reach the balance by defeating the shortages through a relative abundance of goods. This is what, it seems, the Council of Ministers had in mind when they asked for "15 months of noninterference." Then they found out that new goods require new injections of money straight from the printing press. The situation only got worse.

The derided and laughed-at 500-days program offered option three: to increase the volume of goods by selling something that has not been for sale before—the state property. The logic is clear: If the administrative system is bankrupt, it would only be fair to inventory its property and to pass it over to the people in exchange for repaying the national debt. According to the estimates made by S.S. Shatalin's group, the potential popular demand for property amounted to between R100 and R150 billion. The privatization could realistically cure the ruble. But it can only do it under one condition: It has to be conducted with surgical precision, with all stages calculated in advance—by months or even by days. This is the last chance; after all, enterprises large and small, the housing, the land—all of that can only be sold once; these are the goods for an hour, **there will not be anything to sell the second time around.** Therefore all the money gained from privatization must be immediately annulled. "Taken out of circulation," as the economists say. A journalistic fantasy conjures this impressive image: A huge campfire on Red Square, brightly burning with the IOU's of the bankrupt leadership—these are wooden rubles, they should burn so well!.. And the minister of finance, the flames casting reflections on his face, being sworn to always remember the words of the "revolution's fiery tribune..." After all, the people had always protected themselves with fire from filth and pest.

Unfortunately, the privatization has already started. According to the RSFSR [Russian Soviet Federated Socialist Republic] State Committee on Statistics, in Russia alone 19.3 thousand apartments were sold into private hands between January and September of 1990. The money collected from these sales came to R77.4 million. Local soviets earned R41.6 million, along with ministries and other government departments. Neither the former nor the latter burned the money. At least 27 enterprises bought their property from the state: a confection factory, a glass factory, a cellulose and paper enterprise, and an electric-mechanical plant... None of the "earned rubles" were taken out of circulation.



SOVIET SAKHALIN newspaper published the current "Rules on Denationalization of Property on the Territory of Sakhalin Oblast." In the very last paragraph it reads: "Ninety percent of the amount received from the sale of state property goes into a special account to be used at the discretion of the oblast soviet of people's deputies." On what grounds the oblast soviet sells the state—all-Union—property is, of course, an interesting question. But what is it going to do with the money? Will it order it sunk into the Sea of Japan? Of course not. Most likely, it will be used for a good cause, invested into a needed production facility, paid out in the form of justly high salaries—in short, it will be put back into circulation, back into the financial system of the country that is already choking on its own "Kerenskiy bills." After all, to buy a store or a production shop one has to clean out his savings bank account, to "mobilize" the saving of friends and relatives, that is, to produce the cash—not supported by goods—that had been until then socked away because there was no other choice. And then what currency will this store use in its operations? The same, only even more wooden.

The desire of each individual citizen to invest in real estate during the crisis is both understandable and justified. It is better to have a small shop for a rainy day than two kilograms of paper potentially good only for recycling. Especially when we hear from all quarters the talk about the coming money reform. On Sakhalin, meanwhile, if one is to judge by the "Rules," nobody is asked to produce an income statement. (Participation in an auction, though—even as a spectator—costs R300 to those who have plenty of it.)

By the way, about the monetary reform. As far as I understand, after full-scale privatization without the attendant immobilization of currency is complete, reform will become inevitable. At that time it will have to be **openly confiscatory**: Since "suspiciously large" holdings will be by then converted into real estate, there will not be anything left other than to devalue the honestly earned mid-level savings. And that is ripe with...

Still, the Sakhalin (and Moscow, and Kursk) privatization is inevitable.

By saying that I quite consciously throw the grist on the mill of the center—the new center. It is the only body that will be able, in the name of common interest and through the program coordinated with the republics, to conduct the privatization. The new Cabinet of Ministers has not been formed yet, but already it does not have much time: What does not get sold gets stolen.

Long goodbyes only mean more tears. The current cabinet, for all practical purposes, is already a former cabinet. However, the trail it has already left in the history of the country is so profound that it deserves immortality. If a confiscatory currency reform does befall us, should we not print on the new ruble, instead of the portrait of the leader, the portraits of the people

responsible for this shameful disease of our economy—inflation? As a prophylactic measure.

### Trends, Prognosis for Shadow Economy Presented

914A0303A Moscow IZVESTIYA AKADEMII NAUK  
SSSR: SERIYA EKONOMICHESKAYA in Russian  
No 6, 1990 pp 73-83

[Article by T. I. Koryagina: "The Shadow Economy: Analysis, Appraisal, and Prognoses"]

[Text] The article analyzes the underlying causes, scale, structure, and development prospects of the shadow economy. It proposes a methodology for studying the subject and emphasizes the necessity of struggling against the shadow economy in order to ensure the economy's normal functioning and the defense of democratic freedoms (in economics and politics).

Soviet economics possesses quite a few voids. But it would be hard to find another example in which the scale of an economic phenomenon and the degree it has been studied were on such different orders as for the shadow economy, which, like a circulatory system, reaches into every single corner of the Soviet economy. Its faces are various, at times utterly ordinary, at times surprising. Literally everyone has grown accustomed to this phenomenon: consumers, producers, and administrators alike. There is even the viewpoint that the shadow economy is an essential attribute of the Soviet economic system.

Recently a negative attitude toward the shadow economy has been growing among the public. Our position is that any extreme or extremist view of the problem under analysis lacks both scientific and sociopolitical foundation.

The first attempts to analyze the shadow economy in our scholarly literature and journalism go back to the 1960s and 1970s, although at that time research dealt only with individual aspects. Thus, the early 1960s were marked by the description of criminal cases against underground producers and speculators in foreign currency. That was the time of the trials against underground millionaires that received such noisy attention from the press. A few dozen of them were sentenced to death and executed.

Attempts to reflect the shadow economy in calculations at the branch level were made for the first time in the 1970s at the Scientific Research Techno-Chemical Institute of Domestic Services (NITKhIB) of the RSFSR Ministry of Domestic Services to the Population. These calculations were made in connection with pre-evaluating the population's actual level of consumption of domestic services at the expense of adding to the official volume of sales of services rendered by so-called private individuals. Therefore it was the sphere of domestic services that served as the first field for working out methodological and procedural tools for studying the shadow economy and for utilizing the results of the calculations in predictive research.

The logical continuation, although on the macro level now, was research on the service-sector shadow economy conducted in the early 1980s at USSR Gosplan's Scientific Research Economic Institute (NIEI). As one of the directors of this research, the author found the previous experience at NITKhib in studying the problem under analysis very useful.

I would note, however, that before the 2nd USSR Congress of People's Deputies, the state organs never posed the issue of the shadow economy as a distinct topic for scientific analysis to a single research institution in the country. Meanwhile, abroad, in the early 1980s, the parliaments and governments of many countries created special working groups to study the shadow economy. Thus, this type of group has been functioning in Austria since 1984, studying the extent, size, and developmental tendencies of the shadow economy. France, England, Portugal, and Holland should also be mentioned in this regard. The U.S. Congress allocates significant sums to research organizations and individual researchers to study the problem. At USSR Gosplan's NIEI, this topic arose only as additional background in connection with working out the problem of overcoming the imbalance in the Soviet consumer market. The scale of the illegal rendering of services has become quite significant, and the noninclusion of shadow services has sharply decreased the accuracy of actual and predictive evaluations of the population's requirements for services. In recent years, the author's research on the unofficial economy has been extended to the spheres of material production and administration.

In this article we shall deal with the most important points in the selection of methodological principles for studying the shadow economy. First about the subject of study. At USSR Gosplan's NIEI, what is being studied as the shadow economy is basically the production of goods and rendering of services to the population for pay that is not included in official statistical accounts. From the legal standpoint, this includes both legal and illegal activities. This concept of the shadow economy corresponds fairly well to the definition of the category in several foreign works.

Within the framework of individual branches and sectors of the economy, we carried out calculations to evaluate the scale of property embezzlement in enterprises, institutions, and organizations, as well as the size of additions. As a result, our understanding of the shadow economy seems to break down into three major blocs:

(a) the unofficial economy, including all legally permitted forms of economic activity within the framework of which there is room for the production of goods and services not accounted for by official statistics and the shielding of this activity from taxes; (b) the fictitious economy, that is, the "economy" of additions, embezzlements, speculative deals, bribery, and all types of fraud connected with the receipt and transfer of money;

(c) the underground economy, including legally prohibited types of economic activity. It is within this sector of the shadow economy that the scale of organized economic crime has been studied.

The USSR law on individual labor activity, passed in November 1986, outlines prohibited types of activity in the production of goods and services. Carrying out these types of jobs is punishable in accordance with the current criminal legislation of the USSR and the union republics.

Serving as an information base for the concrete calculations on the shadow economy have been the data of the full statistical accounts of the USSR State Committee for Statistics (Goskomstat) on the consumption of goods and services across the USSR as a whole and for the regions of the country, data on the balances between the population's monetary income and expenditures, budget statistics, materials from various sociological inquiries dealing with consumer aspects, branch statistics of ministries and departments, the opinions of experts studying the economics of the various branches of the economy, research results of specialists from the lawkeeping organs, and other materials.

In accordance with the methodology for calculating services in the economic practice of the USSR, the volume of services in the shadow economy does not include unofficial activity in trade and public catering. The volume of shadow circulation in this branch of the economy is reflected in the total evaluation of the shadow economy and in the corresponding branch bloc.

Let us point out as well the following methodological characteristic. All calculations of the scale of the shadow economy are constructed on a variant basis. This is tied in with the fact that the expert nature of the evaluations has stipulated for a rather broad range of variation in various initial data in the construction of several dynamics of the shadow economy.<sup>1</sup>

Study of the shadow sector in the services sphere has demonstrated precisely that the basic factor in its functioning is the imbalance in demand and supply, or, in other words, the colossal shortfalls in the supply of goods and services to the population.

The period beginning with the mid-1960s was characterized by quick growth in the population's monetary income. Between 1971 and 1985 alone it increased by a factor of 3.1. The pace of augmenting the material-technical base of group B branches, as well as the sphere of services, obviously did not match the dynamic of the population's demands and financial resources. The disproportion between demand and supply in the consumer market that was maintained through all the years of the postwar period began to increase sharply. Here it should be pointed out that the substantial outstripping of the population's demands for services in comparison with their real consumption was directly related to the supply of goods. After all, many items of the population's expenditures for services are very tightly linked to retail

goods circulation. We will point out two of the most important interdependencies in this regard.

The demand for services for the use and repair of certain types of goods, for example, durables, especially technically complex goods, varies directly according to their acquisition by the population. What do we see in practice? Industry produces automobiles, retail trade sells them, but repair services accept them only partially "on balance." At the present time the demand for auto repair services is satisfied at best at a level of only 50-60 percent.

The second point has to do with the allocation of surplus funds created among the population due to the absence of a sufficient supply of various paid services. The population can allocate those funds along two channels: (a) switch this money to the purchase of goods; (b) put the money aside as savings. Both possibilities for "spending" the population's money are undesirable from a social as well as economic point of view. After all, the untimely reaction of the paid services branches to the population's growing solvent demand for services leads

to ever increasing pressure on the goods market. Goods supplies are cut off, and as a result hustlers begin to provide the population with goods, and lines grow.

In the second instance accumulated surplus funds are a direct threat to money circulation. In the final analysis, all this leads to the deformation of both the structure of demand and supply and the structure of the population's expenditures.

Given these conditions, the population, even those prepared to pay out significant sums of money, is forced to do many kinds of jobs itself, spending on housekeeping, according to our calculations, about 140 billion man-hours per year, which is equivalent to the theoretical employment here of approximately 50-60 million workers per year. In housekeeping alone, in performing the jobs that domestic service enterprises are called upon to do, by way of self-service, services are theoretically produced totaling 20 billion rubles [R].

The data presented in Table 1 reflect the general tendencies in the development of goods-monetary circulation in the Soviet consumer market.

**Table 1. Goods-Monetary Flows in the Economy, 1960-1988**

| Index   | 1960 | 1970  | 1975  | 1980  | 1985  | 1988  |
|---|------|-------|-------|-------|-------|-------|
| Average monthly pay for workers and employees in the economy (rubles) | 80.6 | 122.0 | 145.8 | 168.9 | 190.1 | 219.8 |
| Retail goods circulation (billions of rubles)                         | 82.3 | 159.4 | 215.4 | 278.0 | 333.0 | 375.7 |
| Paid services (billions of rubles)                                    | 10   | 17.2  | 23.5  | 30.1  | 36.2  | 46.0  |
| Savings bank deposits by the population (billions of rubles)          | 10.9 | 46.6  | 91.0  | 156.5 | 220.8 | 296.7 |

Note: Sources 1-3.

The imbalance in demand and supply in the consumer goods market is very hard to overcome. Retail trade does not have enough fashionable, high quality goods or goods for children, the elderly, people with nonstandard figures, and so on. It is important to point out something else as well. Unlike the period 1970-1984, the nonfulfillment of the plan for goods circulation in the years 1985-1988 was accompanied by a drop in the volume of goods supplies. In 1988, the lag in goods supplies from the norm increased to eight days, and in absolute monetary terms, R8-9 billion. This record amount, since the 1960s, was surpassed in 1989, when despite fulfillment of the plan, the imbalance in demand and supply for an entire group of goods continued to grow, as was manifested in the formation of increasingly new short-term and longer-term shortages for specific goods and growth in the volumes of deferred demand.

The overall imbalance in the domestic consumer market for the beginning of 1990 exceeded R100 billion. As a result, there was sharp growth in the shadow economy. It is precisely for the years of the twelfth five-year plan that there has come to be a substantial expansion in illegal currency operations, speculative deals, and illegal production of goods and services. The shadow economy is

making up for shortages in the consumer market and simultaneously provoking their increase. The shadow economy is like the reverse of the imbalance in any of its manifestations. Shortages promote the spread of organized criminal economic structures. The latter then become a factor in the destabilization of the political as well as the socioeconomic situation in society.

Let us point another fact. Imbalance in the consumer market leads objectively to inflation. Given wage devaluation, the attraction to supplementary income increases. Thus, the natural demand to "safeguard" the family's level of well-being from inflationary tendencies becomes the second leading factor in the growth of the shadow economy. Research into the motives for the production of goods and services in unofficial form point specifically to this circumstance.

Yet another economically deforming factor is the negative attitude in Soviet society toward free entrepreneurial activity. Overcoming the ideological and psychological barrier on the path to developing individual and cooperative forms of labor activity and the private sector is the chief direction of the "victory" over the shadow



economy. This conclusion follows from an analysis of longstanding processes in the individual sector of the economy.

### The Shadow Economy and Craftsmanship

In our country, the tip of the immense iceberg, which is immeasurably smaller than its underwater portion, is the individual sector of labor activity. This new term, in our view, reflects more adequately the economic essence of the phenomenon covered previously by the term "craft-trade business." The USSR law on individual labor activity had as its basic goal the legislative affirmation of the rights of each Soviet citizen to independent and family labor.

The history of the development of the individual sector of the economy in the USSR deserves special attention. However, for our analysis we will dwell on the postwar period, since the postrevolutionary practice of regulating and developing individual labor in the 1920s had a cardinal distinction from the practice of the 1950s and 1960s and subsequent years.

In this regard we would point out that with the goal of legally formulating the rights of citizens to perform individual labor activity, fixed in the 1936 Soviet Constitution, a resolution was passed in 1949 on craft-trade businesses. Individual acts regulated the activities of citizens in the sphere of rendering medical services to the population as well as other spheres.

Until the 1960s, the number of craftsmen was on the level of 150,000 people. In the 1960s, when the CPSU program was passed proclaiming an era of building communism in the USSR, a sharply negative attitude toward craftsman was noted in the theoretical literature. In real life, theoretical postulates about the total obsolescence of the social stratum of craftsmen and individual producers were molded into concrete steps to limit the spheres of labor activity, to curtail the issuance of licenses, and to defame such activity in the press and in films. As a result, the number of craftsmen began to fall catastrophically throughout the 1960s. If in 1960 there were about 110,000 of them in the country, then by 1973 there were only 10,000.

By the mid-1970s, when the population's activity in the private subsidiary economy was "rehabilitated," interest in the labor of individual producers began to rise again. A demand arose to reexamine the decree on craft-trade businesses that had been implemented in 1976. Then the USSR Council of Ministers passed a new version of the abovementioned resolution.[3]

In 1977, article 17 of the Soviet Constitution legislatively confirmed the right of Soviet citizens to perform individual labor activity in the sphere of trade-craft businesses, agriculture, domestic services to the population, as well as other types of activity based exclusively on the individual labor of citizens and members of their

families. The article said that the state regulates individual labor activity, ensuring its utilization in the interests of society.

The positive nature of the entry in the Soviet Constitution on the utilization of individual labor in social production in practice, however, did not render significant assistance to the growth of the contingent of individuals employed in this type of activity. Moreover, in theory as well, one continued to run into the view on individual labor as not in keeping with socialist means of production.

On the eve of the passage of the law on individual labor activity in the USSR, about 65,000 citizens were registered with the financial organs as employed in trade-craft businesses, 3,500 individuals in private practice, and about 150,000 people as renting out lodgings belonging to them.[4]

The most widespread types of trade-craft businesses were knitted goods, dressmaking and alterations (including hat sewing), artificial flower making, carpentering and joiner's services, and photo services. About 70 percent of all tradesmen and craftsmen were involved in these types of businesses.

Significantly less representative, according to data from the financial organs, was the group of citizens involved in private practice. In 1985 there were 3,505 persons so registered. The most characteristic types of private practice were physician's and dental. About 1,122 people fell into this category in 1985. Occupying second place in numbers were teachers (756 people). Those individuals involved in private practice, based on the size of income earned by individuals in private practice, the earnings of the greater part of these citizens were small and were merely supplements to the pension or pay they received.

The next category is individuals renting out lodgings. In 1985, all such individuals totaled 152,400. The sum of the tax assessed on this category of taxpayers amounted in 1985 to R91.1 million; the average annual income of one taxpayer from apartment renting was R597.

In 1985, the highest taxable income in absolute terms was achieved by those individuals who rented out lodging belonging to them (57.2 percent of total assessed income). The taxable income presented to the financial organs by individuals involved in trade-craft businesses (R62.8 million) was 1.5 times less, and by individuals in private practice (R5.2 million) more than 17 times less.

Analysis of the percentage income tax rates used in regulating the activities of private persons in specific types of crafts and services before the passage of the law on individual labor activity showed the following.

The most beneficial procedure for assessing income tax was used by individuals involved in knitting goods. Here the income tax was 10.3 percent of taxable income. Then came carpentering and joiner's services (11.6 percent),

artificial flower making (12.1 percent), photo services (13.9 percent), and dressmaking and alterations (14.0 percent).

On the level of 15 percentage points was the income tax rate applied to individuals employed in shoemaking and repair and renting out lodgings belonging to them.

The highest income tax rate for 1985 was set for those individuals in private practice, reaching a top for physicians (29.2 percent), teachers (27.1 percent), dental technicians and orthopedists (26.7 percent). Only among leaders of various types of circles was the percentage income tax rate lower (18.6 percent). On average for the entire group of individuals involved in private practice, they paid into the budget income tax amounting to 24.9 percent of the total income they received from the population.

Analysis of practice allows us to draw one very important conclusion: the number of individuals officially registered with the financial organs for types of individual labor activity corresponds exactly to their percentage income tax rate. A logic is observed that the higher the percentage income tax rate, the lower the number of registered individuals. Take physician services, for example. In 1985, quantitatively, they were the fewest of all those registered with the financial organs (about 493 persons in the entire USSR), and it was to them that the highest income tax rate was applied. The picture is analogous for dental technicians, orthopedists, and teachers.

Thus, the more "unprofitable" the conditions are for one group or another officially involved in individual labor activity, the greater the scale of the activity carried out illegally.

What kinds of losses does the state budget incur from the existence of a shadow economy in the individual sector of the economy? According to our calculations, nonpayment of income tax here can be estimated at R2.0-2.4 billion. The ratio between potential and actual budget payments from trade and services in the mid-1980s came to more than 50:1. However, the moral losses to society from the economic situation that has come about must be judged immeasurably higher.

Ideological nonrecognition of small-scale entrepreneurship leads to distortions in economic relations between consumers and producers and between producers and the state. This exposes the implementation of economic reform in the USSR towards the creation of a market economy to attack.

Why does the population turn to services from private individuals? There are several reasons.

The population is displeased with the quality of many goods and services from state enterprises in the service sphere. Here, for example, are data from USSR Goskomstat on domestic services for the population. According to data from a survey of 45,000 families

conducted in 1985, the level of consumer complaints about the quality of services was very high. Thus, for the repair and construction of housing and the repair of televisions, the proportion of families expressing complaints about quality was 75 percent, for shoe repair 71 percent, and for watch repair and photo services 66 percent.

Many families also had complaints about domestic services not meeting established deadlines for fulfillment of orders. In furniture repair, for example, 100 percent of the families surveyed noted this violation; 51 percent of families had experienced nonfulfillment of deadlines for dress alteration services orders; 50 percent in housing repair and construction, 46 percent in production of women's outerwear, 43 percent in the sewing of light women's and children's clothing, as well as in the sewing and knitting of knitted goods.

What is it about the "privates" that attracts consumers? In the majority of instances it is the high quality of services and their fulfillment in short periods of time. Thus, according to the data from the abovementioned 1985 survey, 53 percent of families surveyed noted a significantly higher level of quality of work in radio and television equipment repair services, 38 percent in shoe repair, 37 percent in watch repair, and 33 percent in photo services. Privates fulfilled orders more quickly than did state enterprises for the sewing of men's, women's, and children's outerwear. Reporting this were 56, 51, and 73 percent of the families, respectively. In clothing repair, 56 percent of those surveyed noted shorter order fulfillment periods for privates, about 50 percent for housing repair and construction, and 56 percent for the repair and technical servicing of individually owned automobiles.

In describing the "private" economy, one should not abstract from an analysis of the "face" of the private himself. Given Soviet conditions, this is primarily someone who has not turned illegal activity into his basic source of income. As a rule, the private is working in some branch of the economy. Most often he is a worker in a state enterprise, organization, or institution. He is exploiting state enterprises' basic funds, stealing materials, and stealing worktime itself.

According to our overall estimate, about 30 million people have now become active within the illegal sector of the economy, which is more than 20 percent of the total employed in the economy. In the early 1960s, the proportion of the shadow economy's contingents was less than 10 percent of the average annual number of workers and office and kolkhoz employees.<sup>2</sup>

In the 1970s and especially the 1980s, a more intensive growth in organized economic crime began. Previously, separate underground shops had begun joining together in "networks," clans, including administrative personnel (underground managers), suppliers, security, and transporters. Protectors from the higher echelons of power

began to play an extremely important role in the existence of the shadow economy.

According to materials from the All-Union Scientific Research Institute (VNII) of the USSR Ministry of Internal Affairs, 508 criminal groups and 208 super-groups exist across 32 regions in the country. Each numbers no fewer than 50 people. The groups carry out various types of criminal operations for a sum of about R100 million per year. The number of embezzlements by criminal groups has grown by a factor of six over the last 20 years, and the size of the losses incurred has grown by a factor of 12.

However, as we noted above, the purely criminal economy is only a part of the shadow economy. The latter is strong by virtue of its ordinariness and its penetration into virtually every branch of the economy.

#### The Shadow Economy in Individual Branches of the Economy

The approach to the shadow economy from branch positions has been blocked by the circumstance that

structural analysis has become the basis for its study. Let us point out right away that this methodological feature makes it possible to characterize quite reliably (even taking into account all the undetermined characteristics in acquiring expert evaluations) the tendencies in the growth of the shadow economy. We have studied the period from the early 1960s to the present.

We took USSR Goskomstat's base classification of the branches of the economy. To obtain estimates as to the scale of the shadow economy we made broad use of materials from the USSR People's Control Committee, the lawkeeping organs system, and the evaluations of specialists and of individual Soviet and foreign researchers.

Our expert calculations showed that in several branches of the economy for several regions of the country one can talk with confidence about the existence of a second, shadow economy alongside the state and official individual and cooperative sectors. The scale of the shadow economy for the USSR as of the beginning of 1990 we estimated as approaching R100 billion, with R20-25 billion as a minimum and R150 billion as a maximum (see Table 2).

Table 2  
Scale of the Soviet Shadow Economy, 1960s to 1980s\*

| Index  | Periods                |                  |
|--|------------------------|------------------|
|  | Beginning of the 1960s | End of the 1980s |
| Annual volume of the shadow economy in the Soviet economy (billions of rubles)   | 5                      | 90               |
| Including:   |                        |                  |
| Material production sphere   | 2.5                    | 73               |
| Including:   |                        |                  |
| Industry   | 0.3                    | 10               |
| Agriculture (including kolkhozes)  | 0.6                    | 23               |
| Transportation and communications  | 0.2                    | 8                |
| Trade and public catering  |                        | 17               |
| Material-technical supply and sale; procurement of computer information services   | 1.2                    | 2                |
| Informational-computer services  |                        | —                |
| Other types of material production activities  |                        | 1                |
| Nonproductive sphere   | 2.5                    | 17               |
| Including:   |                        |                  |
| Housing-communal management; domestic services to the population*  | 1.6                    | 6.7              |
| Health care, physical training, and social security  | 0.5                    | .6.2             |
| National Education   | 0.3                    | 1.5              |
| Culture and Art  |                        | 0.3              |
| Science and scientific services  | —                      | 0.3              |
| Credit and state insurance   | —                      | 0.1              |
| Apparatus of organs of state and economic administration, organs of administration of cooperative and public organizations** | 0.1                    | 1.6              |

\*Including production types of domestic services.

\*\*In consideration of the specifics of the research subject, the classification of the branches of the economy has been cited in precise accordance with the distribution of workers and employees. With respect to organs of administration, a very important aspect of the shadow economy is the growth of "white collar" crime, especially in connection with bribery.



In comparison with the early 1960s, the growth in the scale of the Soviet shadow economy has proved significant. It comprised across the entire spectrum of evaluations a factor of from 4 to 30, and as a working average came to a factor of 18.

In absolute terms, in first place among all the branches of the economy for the volume of the shadow economy at present is agriculture (R23 billion per year). This includes about a third of the entire volume of the shadow economy in the sphere of material production.

In second place is trade and public catering (R17 billion), in third and fourth place are construction and industry (R12 billion and R10 billion, respectively).

Over the last 25 years, growth in the shadow economy increased at the fastest pace in construction (a factor of 60), transportation and communications (a factor of 40), agriculture and industry (a factor of over 30). In all these sectors of the economy, the speed of increase in the second economy was mostly a function of the growth in the scale of additions, embezzlements, and petty theft.

Most indicative on this level was "cotton production." The size of additions of volumes of cotton production in Uzbekistan reached millions of tons. Several billion rubles were stolen from the state.

From the point of view of the role and influence of the shadow economy on the economic, social, and political processes, it has its relative weight in the given branch of the economy and its sectors. In this respect the obvious leader is unquestionably the service sphere. Thus, speculative activity achieves enormous proportions in retail trade. According to data from the Soviet Office of the Public Prosecutor, more than half of citizens surveyed buy fashionable clothing and shoes with a surcharge. In the nonproductive sphere the share of the shadow economy is nearly one third of the total official volume of services. In a branch like domestic services to the population, the proportionate weight of shadow services is even higher—at a level of approximately half (R6 billion out of R14 billion) of the overall volume of sales of services to the population, according to data from USSR Goskomstat.

Among domestic services two types of services stand out sharply: housing construction and repairs and repair and servicing of privately owned automobiles. Repair and construction services is the type of service most lacking in the state sector of domestic services. Therefore the private stands out here as a "strong" competitor. In calculations for the year, the population spends on this type of services in the "private sector" R1.5-1.8 billion (for labor), which is 2.0-2.3 times more than it does in the state sector.

As was already noted above, there are not enough services offered for the repair and servicing of privately owned automobiles. There is a significant shortage of supplies to auto service enterprises of spare parts and details according to the demands of repair services.

Thus, for certain of the most popular spare parts and details, industry meets 20-25 percent of the demand from auto repair enterprises.

There is a widespread practice of consumers turning to private individuals in connection with services for individual dressmaking, knitting, furniture making and repair, transportation (especially freight transport) and agricultural services, housing exchange, and typing services.

Second in volume in the sphere of services is the market in shadow recreational services. The volume of services here reaches R2.7-3.2 billion. The catalog and assortment of services is very great. But the basic part of the expenditures connected with recreational services is related to renting lodgings during vacations. Thus, according to available estimates, about 120,000 unorganized vacationers travel to the Crimea in the summer. Even greater streams of the population vacationing without work passes and not with relatives go to the Caucasus shore of the Black Sea.

In third place in the circulation of services in the shadow economy is the sphere of medical services. In the course of a year their volume reaches R2.5-3 billion. For the shadow "medical" economy it is characteristic that the basic mass of expenditures of the population are dispersed over junior and mid-level medical personnel. In other words, a large volume of the population's financial expenditures in the sphere of health care is connected with so-called patronage services (payment to aides and nurses for better care, and so on). But at the same time in the USSR, already in the 1960s there began to form a stratum of physicians who rendered services to patients for monetary payments on both an inpatient (up to and including underground surgery) and an outpatient basis.

Since the 1970s, a shadow sector has come about in educational services. These are tutorial services. According to estimates of USSR Gosplan's NIEI, the population spends R1.5 billion for their wages in the course of the year. Then come services for passenger transport (R1.3 billion), services for housing-communal management (primarily the rental of housing for temporary residence, but not for purposes of recreation) (R0.7 billion), and cultural services (R0.3 billion per year).

The calculations cited represent an average estimate of the scale of the Soviet shadow economy. In substantiating them, moderate estimates were selected and accordingly extremes were tossed out—minimums and maximums. To characterize how scattered the values of the expert estimates are, for instance, for the scale of sales to the population of services by private individuals, we shall cite the following data. The minimum total estimate of the shadow market in services is, according to experts, on the level of R8-10 billion per year, whereas the maximum is R22-24 billion per year.

In material production, the maximum soared sharply for the volume of the shadow economy in trade and public

catering, material-technical supply, sales, and procurements, construction, and agriculture. In the nonproductive sphere the maximum in growth was for the volume of shadow services in the housing-communal economy, health care, and several domestic services. For example, a survey of the population in Riga determined that up to 80 percent of those surveyed turned in the course of a year to the service of doctors in order to establish a diagnosis (treatment) or spent money to ensure pleasant treatment of their relatives in inpatient medical institutions. In domestic services for several selected data, a very high level was determined for expenditures by the population for ritual services, mostly services connected with funerals, but also the performance of various types of family celebrations.

The building of a market economy, the fate of economic reform, and the overall perestroyka of the socioeconomic system is highly dependent upon overcoming negative aspects of the shadow economy's existence. In practice, the noninclusion of the shadow economy factor in the real practice of perestroyka is already leading to undesirable socioeconomic consequences. A kind of amnesty for illegal capital is taking place, "white collar" crime and purely criminal activities (rackets and other types of violent extortion of money from entrepreneurs) are being stimulated.

The population has gradually begun to develop a syndrome of getting used to economic crime. Some of its forms are becoming elements of a lifestyle for specific groups of the population. In the eyes of the public, all this puts into question the very idea of ever building a healthy, nonmafiosa-tainted market economy in our country.

In the short term, we predict the broad penetration of shadow capital into joint-stock enterprises carried out in conjunction with Western firms. As economic mafiosa formations are revealed in Soviet sectors of joint entrepreneurship, foreign partners will fall under attack. According to the rules of the Western business ethic, the entire Soviet end of a joint enterprise could shift to the category of doubtful partners, which would sharply limit the influx of foreign capital into the USSR.

Moreover, given the development of a market for securities and joint-stock enterprises in the coming years, illegal capital will begin to be invested in stock. In comparison with the small percentage going into savings bank deposits, this will bring their owners substantially larger dividends. The augmentation of underground capital will be secured without a labor contribution.

Overcoming the shadow economy's tendency to grow is an extremely complex task. The lack of entrepreneurial experience among a wide circle of Soviet managers and the significant imbalance in the domestic market (both of the means of production and of consumer items) will lead to the shadow economy's augmentation. The absence of large-scale government action in the struggle against "white collar" crime (especially in the upper

echelons of power) does not allow for the creation of equal conditions in competition for the consumer. In this struggle, those producers who function according to the laws of the black market will be the big winners.

Therefore, in the years to come, the volume of the shadow economy could jump to R100-130 billion (including R20-25 billion for services), spreading metastases of the criminal economy to increasingly broad types of activity. Prices will rise sharply on the black market. Mafiosa formations will grow stronger within the framework of the criminal economy. Accordingly, we can expect an explosion in criminal crime.

Unfortunately, these are the scenarios we foresee for the development of the shadow economy in the USSR. An understanding of this forces us to admit that the struggle against it constitutes a defense of the democratic freedoms we have attained today in politics and the economy.

#### Footnotes:

1. Actually, the problem of the absence of reliable statistica information, and hence the large scattering and contradictoriness of the evaluations received is the "misfortune" of all serious research on the shadow economy, not only in the USSR but in other countries of the world as well.
2. The estimate of the number of individuals drawn to the shadow economy reflects the degree to which unofficial activities have spread throughout the population. Therefore a comparison of the figures cited with the average annual number of people employed in the economy is conditional.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### 1991 All-Union Budget Analyzed

914A0364A Moscow *RABOCHAYA TRIBUNA*  
in Russian 22 Jan 91 p 1

[Article by Olga Berezhnaya: "The 1991 Union Budget Prepared a Life of Debt for Us"]

[Text] And so, a month and a half of marathon discussion of the country's plan and budget have come to an end. A law determining the state's income and expenditures was finally adopted on New Years Day by the old-style calendar. We are not about to blame the deputies of the USSR Supreme Soviet for exceeding the deadline. The conditions under which work on this document went on were unprecedented: some republics, oblasts and regions began to write their budgets on the basis of their own laws, their own definitions, rescinding laws of the USSR by their own decisions, and sometimes simply by "edict." The situation was complicated by the fact that the promise made by the Council of the Federation to sign an economic agreement among the republics beforehand was not fulfilled.

As a result, extremely difficult issues had to be contended with in the course of business. Everyone remembers that incident with the Russian parliament, which decided to transfer only 23.4 billion rubles to the union budget—four times less than last year. It was not until M. Gorbachev met with B. Yeltsin that an agreement was reached. The difficulty lay in the fact that what was to be adopted was not the traditional state budget and state plan, but documents differing fundamentally from previous ones. This difference, as documented in the adopted law, has to do primarily with dividing power between the USSR and the subjects of the federation.

From this day forward, a state budget will no longer exist as a budget of the entire national economy. Methods of creating income, in accordance with which deductions into the treasury came from the ministries and departments while the latter in turn exacted tribute from enterprises, sometimes highly subjectively, in the manner of rewards and punishments, have faded into the past. Now the rules of the game are the same from everyone: pay 22 percent profit tax to the Union, and 23 percent to the republic. A decision was also made to leave all turnover tax and around 70 percent of sales tax in the republic budget.

The approaches to the expenditure part of the budget have been changed as well. Now the union budget finances only the all-union programs, science, foreign economic activity, the army and administrative organs. Development of the agroindustrial complex, consumer goods production, the needs of public health, culture and public education are to be supported primarily by republic and local budgets. In light of the above, the "imbalances" in the budget, which were disputed so hotly by some deputies of the session who did not fully

understand this mechanism, become clear. How could we possibly discuss a document, they argued, according to which R96.5 billion are allocated to military needs, while R45 billion are allocated to the national economy, and R19.6 billion are allocated to social and cultural measures to include public education, public health, culture and art? The secret is simple: concern for the army lies entirely upon the shoulders of the union government, while all of the other areas have another two financing sources—the republic and local budgets. Meaning that in the final analysis, the country's national economy should receive not R45 but R215 billion, and social and cultural measures should receive not R19.6 but R123 billion.

The issue of foreign loans is also being resolved in a new way. Nowadays they are taken out for all-union needs and distributed with the consent of the republics, which imposes the obligation to extinguish debt upon the parties to the agreement.

The income part of the budget is determined at a sum of R250,157,450,000. Even though a sales tax has been additionally introduced, and it will add R36 billion to the union treasury by substantially lightening the wallets of customers and labor collectives, we have not been able to make ends meet: Expenditures exceed income by R26,663,149,000. And if we add to this the discrepancy in republic balances, the total deficit will increase by another R29-30 billion.

But there's more. Although many of the most acute needs have not been included as expenditure items (assets with which to index the population's income in connection with change of prices on goods and services and to ensure employment have not been foreseen), there is no certainty that the deficit will not spill over its planned limits.

Even in the course of the discussion it became necessary to reduce the income part of the budget by R16 billion as an emergency measure. It was calculated with regard for a three percent increase in industrial production volume in 1991. But the committees and commissions felt that rather than an increase, a two percent decline will occur. Unfortunately, as the subsequent course of events has shown, even these estimates are excessively optimistic. The output-capital ratio continues to decrease both in the national economy as a whole and in industry and agriculture. Oil and coal extraction and production of gasoline, diesel fuel, cotton and flax fiber and other products are declining. The gross national product and national income are decreasing faster than was supposed.

This situation is all the more perplexing because the budget itself is not oriented in any way on expansion of production. In the opinion of experts, 87 percent of the R970 billion of national income will be spent on current consumption and nonproductive construction, while only 13 percent will be spent on development.



Of course, we can console ourselves with the fact that the volume of assets allocated to raising the people's standard of living is increasing by a third in comparison with last year. But could there be any great benefit in that if, in the opinion of experts, the gap between commodity exchange and goods is now attaining 40 billion rubles? It is not difficult to predict the consequences of such a situation: a sharp price increase and empty shelves.

The decision to create a stabilizing fund outside the budget was dictated by the search for assets with which to support the economy. Not a single ruble was found in the budget for the two most important sectors remaining under the union's management—transportation and the fuel and energy complex. Unfortunately concern for replenishing the fund is once again laid entirely upon the shoulders of industry. The plan is to obtain R114 billion by additionally taxing the plants and factories. This is nothing more than robbing Peter to pay Paul: By taking away what the enterprises have accumulated, and by reducing their possibilities for investing into the social sphere, we set the stage for an increase in the numbers of have-nots, who will come begging to the government tomorrow.

Doubts as to the correctness of this step are also tormenting the deputies. While they recognize their responsibility for the consequences, some of them suggest that in order to not undermine the trust of the collectives, any amounts that are collected from the enterprises above and beyond taxes should be credited to the purchase of fixed productive capital by the laborers.

A decision on this matter has not yet been made. A ukase of the USSR President on creation of the stabilizing fund has already been enacted.

#### **Future of Stockbroking in USSR Assessed**

914A0380A Moscow IZVESTIYA in Russian 25 Jan 91  
Union Edition p 4

[Interview with Soviet stockbroker Boris Alekhin, by P. Lynev: "Such Is a Broker's Life"]

**[Text] Money. The latest events have heated this topic up to the limit. Life itself becomes a harsh school of finance for us, a school where the market is the teacher. Therefore, the experience of people who are knowledgeable about it is even more interesting.**

Boris Alekhin of the United States and Canada Institute of the USSR Academy of Sciences worked as an intern in a number of Canadian firms, then as a stockbroker in the Canadian Securities Institute; he has a doctorate degree. Half a year ago, together with other specialists, he founded the "Russian Securities" society in Moscow—in essence, the first company in the country which is chartered to engage in financial brokerage, that is, to trade on financial markets.

No matter how often we use now the words "financial markets," "stock market," or "brokerage," their practical meaning is still not clear to many of us. Therefore I asked my interlocutor to start with the ABCs: What is it exactly—the securities market? What will it bring us?

[Alekhin] It [the securities market] ensures the most effective movement and use of capital. Let us say that several enterprises have excess money, and they want to use this money profitably. At the same time you need money for, let us say, reconstruction. You know how to get it under the centralized system of finance allocation: you submit a request to your ministry, go to the Ministry of Finance, Gosplan [State Planning Committee], and Gosbank [State Bank]. After about a year and a half of pushing paper through various offices you get your allocation—as a rule, less than you asked for. By issuing stock in your enterprise and selling it profitably on the stock market, you can attract the necessary capital within a month or a month and a half, on condition, of course, that you will later pay the stockholders back—pay them dividends out of your profits. Under such conditions you are not going to throw money around thoughtlessly; you will make it work with a maximum return.

[Lynev] All right. The basic scheme seems to be clear. How does your company fit in it?

[Alekhin] It was created precisely for this purpose—to assist both those who want to put their savings into securities and those who want to attract capital by issuing securities. In addition to this, our task is to provide advice to enterprises converting to a joint-stock type of ownership; assistance to foreign companies wishing to invest their capital in our economy; and, finally, since we have practically no professional stockbrokers yet, we have opened a stockbrokers' school.

[Lynev] What are the requirements for becoming a broker? And who is a broker, a lawyer, a finance expert, an economist?

[Alekhin] First of all he is a salesman. Generally speaking, practically anybody may become a broker. We prefer young people with a good knowledge of English, since we get our intellectual support from North America, where we have close contacts with a number of firms. Education? High school is enough. After graduation he will have to learn on the job for quite a while, though. Will he become a good broker? Only time can tell. He may have a small salary, but if he gets large commissions from his deals this means that he has made it: He has learned to hunt for clients, and he can play the market with a combination of risk and calculation. I am sure that many will find this occupation intellectually challenging.

[Lynev] What about the material side?

[Alekhin] Naturally. The normal commission rate in the West is 50 to 60 percent. That is, if in one month a

broker conducts several millions dollars' worth of operations with securities, he may become a very rich man overnight, especially during bullish markets.

[Lynev] Do you expect that in the beginning our financial market will be bullish?

[Alekhin] Judging by what we have so far—yes. Something else I would like to mention: It is necessary to inculcate people's conscience with the high moral principles of this—so far unusual for us—profession, and it is necessary to do it right now, from the start. There is a code of conduct, professional norms, that we have to learn from the West. First and foremost, it is necessary to understand that a broker cannot afford even the smallest spot on his reputation. If this happens, sooner or later he will end up a loser. He will be pushed into bankruptcy, the firm where he works will fire him, he may end up with a heart attack, and he will be forced to pay a fine for breaking brokerage laws.

[Lynev] You are probably right that the securities—the capital—market should start with the people who work in it. But we still do not have the market itself. What preconditions do we have today for its emergence?

[Alekhin] First of all, we have the most important, economic, precondition: Some people, organizations, and enterprises have a surplus of money, while others have an acute need for it. Then there is another precondition which I have already mentioned: the inability of a centrally administered system to organize an efficient way of moving money from one sphere to another. The market will handle it much better. But we need help in establishing the market. Right now we work in the manner of London brokers in the 18th century, that is, we are still, in essence, street brokers. So far, there is no official stock exchange—a place where operations with securities are conducted.

[Lynev] Then, excuse me, what is it that does exist?

[Alekhin] To begin with, there are two important resolutions. One is from the USSR Ministry of Finance—on the development of a securities market. There is already a skeleton staff for the stock market; there is a governing board; and there are, I think, 120 founders who have contributed start-up capital. The second resolution is that of the RSFSR Ministry of Finance. This one gives a green light to the Moscow International Stock Exchange, one of the founders of which is our society.

In addition to this, there are two draft laws that deal with stock activities and securities. One draft is expected to be presented for deliberation by the all-Union parliament, the other to the RSFSR Supreme Soviet. It seems to me that the drafts differ substantially. For instance, the former stipulates that in order to obtain a brokerage license a company must have start-up capital of at least one million rubles [R]. It is clear that for such small independent companies as ours this is prohibitive: we will not have access to the stock exchange; the players there will be either state enterprises, or our young

commercial banks, behind which there are usually old and familiar names—Promstroybank [Industrial Construction Bank], Gosbank, and the Ministry of Finance. This means that the broker will, effectively, be a state employee, on a salary instead of a commission, which is fundamentally contrary to the idea of a market and competition. The only limitation in the Russian parliament's draft, on the other hand, is the purchase of a license which costs only R500.

Meanwhile, since neither law had been passed yet, life gets ahead of them. Following its logic, we are forced to use the precedent method, that is, search for our own solutions to specific situations and confront the authorities with the need to somehow react to it.

[Lynev] What about the physical location of the stock exchange and brokerage firms, and their setup? All of this is also important in your business which is not called the algebra of the market for nothing.

[Alekhin] You are right. Right now our brokers are huddled in the back rooms and basements; some work at home. In the West, on the contrary, this kind of work is done in most respectable quarters that attract clientele. As to the location of the main financial centers, each capital has its equivalent of Wall Street—which serves as its symbol. So, when I hear at the Moscow City Soviet that they want to turn Moscow into an international financial center, I ask them: Where is the location for the future stock exchange? At the Exhibition of National Economic Achievements, as has been proposed? Or some other remote outskirts? No, the ideal place for the stock exchange is where it used to be—on Ilyinka (now Kuybyshev Street), in its own building, which is now occupied by the Chamber for Trade and Industry. I think it will be logical for our stock exchange to get precisely this location, to carry on the tradition of what used to be here. Also, the location of the national financial center on Ilyinka, next to the Kremlin and the CPSU Central Committee, would become both the paradox of perestroika and its symbol.

[Lynev] All right, suppose the issue of location is resolved the way you want it. What next? How will the stock exchange be organized?

[Alekhin] We, the brokers, elect the board and the committees. Only then does the administration begin to select—on the basis of the strictest criteria—the firms that will have the right to trade at the exchange.

[Lynev] Let us illustrate it with a specific example. Suppose the Ministry of Power and Electrification, or the former Ministry of Land Reclamation and Water Resources wants to build a major power generating station, or move a river. They need additional money for the project. To get this money, the administration of these firms is willing to sell stock.

[Alekhin] In principle, I, the broker, should pursue the scent of a new deal like a hound. However, a number of "buts" come up. In the West, there are procedures and

methods for checking out the firms that want to trade on the stock exchange. To accomplish this, independent experts are called in, including auditors, or, if necessary, geologists or specialists in ecology, etc. Your solvency, justification for the project, and its prospective soundness are put through the equivalent of an x-ray—all at your expense. Sometimes in the course of such an investigation the company senses that it may bring undesirable publicity, or even end up in scandal, and quietly withdraws. But this is not all. The results of the investigation are faithfully reflected in the prospectus. The prospectus is then verified in the stock exchange committees and is registered by the government—without this it is a felony to trade on the stock exchange. Only after that, and after taking a considerable fee from you, will you be permitted to trade your stock. And anybody is entitled to get a prospectus on the status of your business upon request. This system of selection and public accountability, of course, reduces risk. Strictly speaking, none of our Soviet firms, as far as I know, meet these criteria. Therefore, at first our stock exchange will not be able to avoid scandals and deviations from commonly accepted norms. It will be a rather awkward and nonliquid entity. But we will have to go through this.

[Lynev] Speaking about preconditions for the formation of capital markets, you failed to mention one—in my opinion, an important one: even now, before the securities exchange officially comes into existence, the banking conglomerate Menatep—the first in the country—has already made an open stock offering. And your company, also the first in the country, is taking orders from clients who want to buy this stock. How is this “first pancake” of our financial market coming out?

[Alekhin] In a purely market sense it is a complete success. Judge for yourself: in less than a month we have sold more than half a billion rubles’ worth of stock, and there is a thousand-strong waiting list of those who want to buy more Menatep stock.

[Lynev] Are these enterprises or private individuals?

[Alekhin] Both.

[Lynev] So we do have rich people?

[Alekhin] Of course.

[Lynev] So, to put it in a simplistic way, those who hire you are the ones who do not want to wait in line.

[Alekhin] Simplistically speaking, yes.

[Lynev] But this is precisely what they pay you commission for?

[Alekhin] Precisely.

[Lynev] What if we look at all of this from the point of view of those same norms you described earlier—the ones that operate in the Western markets? Does the client have this complete information about Menatep

that would, first, reduce the risk, and, second, make taking that risk more of a conscious decision?

[Alekhin] No. We tell our clients at the outset: You are taking a risk! I do not recall any of our clients being scared away by that.

[Lynev] Does it make you uncomfortable that among your clients there may be some shadow economy dealers?

[Alekhin] Not at all. In general, I think that this issue is blown out of proportion. Money really does not smell. People who get this money in a dishonest, crooked way—they may smell. Neither the plan nor the market is a panache for that. I, the broker, should not be involved in these issues: this is something for other organs and people. My task is to help get this depersonified capital into circulation, give it an opportunity to work for the common good. The market will also accept, and therefore legalize, the capital that belongs to another category of people: those who are forced to stay in the “shadow” because of our imperfect legislation, but would like to conduct business in an above-board manner, and are capable of doing it. Are we supposed to select our clients by their resume, dividing them into the clean and unclean ones?

[Lynev] You have not had a chance to mention one more important aspect of your society’s operation—advising enterprises that are shifting to a joint-stock ownership. This is a hot subject.

[Alekhin] We feel it more than anybody else, because we have both ministries and small enterprises come to us. One of our five employees is a special consultant: he explains the existing procedures for conversion to a joint-stock company, and the structure of stock capital. And, believe me, we see clearly that old structures, the same ministries, change in name only when they become joint-stock companies; actually, having freed themselves from state control they in fact enhance their monopolistic grip on the market. The freeing of prices will increase their diktat even more, and it will become a real scourge for the economy. The solution is to break these structures up, including court action.

[Lynev] I cannot help but recall this: “What is our life but a game?” The financial market, it seems, will considerably enhance this element—gamble, risk, and excitement; it will affect the psychology of the society and its culture.

[Alekhin] That is true. But with risk comes increased responsibility for one’s own choice. In the United States there are 47 million people who own shares. So you see how many people take this risk. However, “over there” they also have some ways of minimizing risk. I mentioned one of them earlier. Another one is in the principle that is well known in the West: “Do not put all your eggs in one basket.” This means that the best way is to invest some of your money in stock and wait for the



dividends, to keep some of it in the bank and earn interest, and also to keep some of it on hand in cash.

[Lynev] For most of us it is, unfortunately, an academic issue for now.

[Alekhin] Why? Who keeps you from buying stock in the same Menatep? Another profitable investment is to buy nine-percent yield bonds. Then, before you know it, you have a financial portfolio—it may be a small one but it is your own—that will give you an opportunity to do some personal financial planning so you can approach your retirement with a solid financial cushion instead of a

lean government pension. Look at the tourists from Western countries—see how many elderly people are among them? Far from all of them are millionaires, but all of them let their savings grow with the help of the market which we are just beginning to discover for ourselves.

[Lynev] Last question: Have you purchased any stock—of the same Menatep, for example?

[Alekhin] No, I am still not a rich broker yet. I do not have untied funds for this yet.

## POLICY, ORGANIZATION

### Economics Scholar Argues Against Regional Economic Separatism

914A0384A Moscow TRUD in Russian 25 Jan 91 p 1

[Article by Professor Tofik Kuliyeu, doctor of economic sciences: "Goods Have No Nationality: Economic Separatism Is Incompatible With a Market Economy"]

[Text] Baku—The countries of Western Europe strive for further integration within the framework of an economic community. By the end of 1992, they intend to switch to creating a unified market and forming an economic and currency union. Meanwhile, some of our republics want to introduce their own currencies and their own markets. Concepts of economic sovereignty of this kind are nothing but separatism and economic egoism.

Striving for economic separatism endangers the future of the country, as well as the future of every nation taken separately. These tendencies are capable of bringing about a confrontational economic situation.

For example, Lithuania at present meets its needs by means of shipping in from other regions 74 percent of its ferrous metals, 97 percent of its nonferrous metals, 77 percent of its oil and gas, 75 percent of its chemicals, and 100 percent of its coal. On the whole, resources worth 7 billion rubles [R] are shipped to the republic, and at the same time almost R6 billion-worth are shipped out. Therefore, is there a rationale for dismantling existing economic ties and embarking on a path to sever these relations? The answer is an unambiguous no.

We should speak the whole truth, even if some people do not like it. Unfortunately, we are frequently satisfied with merely partial truths. Some scientists, leaders of the national fronts, give hope to their supporters, arguing that their peoples will supposedly live more affluently after seceding from the Union. Is it so? Calculations indicate that the sale of products at prices not only in effect inside the country, but also at world prices, will not generate greater profits for republics that develop their economy on the basis of outside raw materials. If finished products are sold at world prices the raw materials consumed also should be no cheaper. Even a republic such as Azerbaijan, which is rich in raw materials and has excellent climatic conditions, is experiencing certain difficulties in the course of switching to cost accounting and self-financing.

Satisfying the national interests of republics within the framework of the all-Union division of labor should be on the agenda. There are certain contradictory processes involved here. However, it is important to resolve these contradictions through reinforcing the unity and integrity of the entire national economy on the basis of perfecting the economic mechanism rather than isolating economic operations in individual republics and placing their economic and other interests in opposition to each other. As I see it, the Union treaty should guarantee in a

clear-cut manner the rights of all producers of goods to participate in the all-Union market freely, without any restrictions. It is necessary to do this because a new dictate over the producers is developing in regions facing the sovereignty euphoria. This is incompatible with market relations.

Very difficult issues legitimately arise within the framework of this unified orientation. How is the self-supply of the republics with the necessary resources, self-financing, and resource-use fees to be ensured? How are the three types of interests—regional (republic), industrial, and all-Union—to be combined?

Full-fledged development of our economy cannot be ensured without taking into account the social needs of our country for specific products. However, in all fairness we should note that there are still no full-fledged methodological foundations for economic, finance, and credit relations between republics. Instead, there are many populist versions in circulation that are advertised by the leaders of the people's fronts of a number of republics. A good idea, the idea of economic sovereignty, is frequently used for contrary purposes, which ultimately may seriously harm this very sovereignty. The distribution of net income generated in the territory of a region is important in principle.

More than 90 percent of the enterprises in many republics, including Azerbaijan, until recently reported to Union ministries and establishments. This is why the income obtained was, and is, left at their disposal. At present, a transfer of the management of many enterprises to the direct jurisdiction of republics or regions is becoming a reality. It is expected that the share of enterprises reporting to the republics in republics such as Azerbaijan, Armenia, Georgia, Uzbekistan, and Moldova, will increase from between six and nine to between 50 and 70 percent. This will change economic functions of the republic management organs and procedures for distributing profits and the turnover tax between the republics and the Union organs.

It is no less important in principle to perfect inter-republic economic ties while fully complying with the principle of economic accountability.

We should note that the outshipments of manufactured products from the Azerbaijan Republic account for 50 percent of the total turnover, and inshipments for consumption in the republic account for 42 percent.

Some economists erroneously believe that a surplus shipped out over shipped in is definitely bad. However, is this formula always true? It is important in this instance what products are shipped in and what are shipped out. Some of the national income generated in the agriculture and industry of Azerbaijan materializes in the form of final products in other republics. This is why proceeds from their sale end up there. At present, shipping raw materials out definitely dooms regions to an economic loss. Central Asian republics and, in particular, the Uzbek SSR [Soviet Socialist Republic], are in

this situation. Is it surprising that in 1989 Uzbekistan, which produces more than five million tons of cotton, received billions in subsidies from the state budget of our country? The following issue arises: given this kind of differentiation in conditions, can full-fledged territorial economic accountability be on the agenda?

Incidentally, our republic covers almost all of its outlays with its own revenues. However, we lose a lot due to the closed nature of the reproduction of social product. For example, we sell one ton of raw cotton at R550 on the average. Taking final products into account, between R12,000 and R13,000 is generated per one ton of cotton. The picture is similar as far as the production of grapes, tobacco, and wool are concerned.

The orientation of the republic economy toward shipping out raw materials has brought about a low level in the turnover of goods and wages, which are low compared to other regions. It has also affected the most acute problems of employing the able-bodied populace. We have rayons, especially in the mountains and the foothills, and small- and medium-size towns, in which 30 to 35 percent of the able-bodied segment of the populace cannot find a niche for themselves. The fact that people under 30 account for 66 percent of the unemployed populace in our republic causes particular alarm...

Regional economic accountability... Interests of the territories and the center—it is very important to combine them reasonably. After all, we cannot live for a long time based on our temporary, group interests. We cannot build the life of the people and the country on ambitions and illusions.

### **RSFSR Law on Enterprises, Business Undertakings**

#### **Text of Law**

914A0326A Moscow SOVETSKAYA ROSSIYA  
in Russian 12 January 91 First Edition pp 1, 4

#### **[RSFSR Law on Enterprises and Entrepreneurial Activity]**

[Text] The law determines the general legal, economic, and social basis for the establishment of enterprises under conditions of diverse forms of ownership, establishes the organizational and legal forms of enterprises operating in RSFSR territory and the characteristics of their activity, regulates the rights and responsibility of subjects of entrepreneurship, and determines the measures of state protection and support for, as well as regulation of, entrepreneurship in the RSFSR.

The provisions of this law are in effect throughout the entire RSFSR territory with respect to all the subjects of entrepreneurial activity and enterprises irrespective of the form of ownership and sphere of activity, including legal entities and citizens of other Union republics and foreign states, unless otherwise stipulated by corresponding international treaties and legislative acts of the

RSFSR and its constituent republics. The law is not applied to legal entities, citizens, and their associations engaged in activity not pursuing goals of obtaining profit.

## **Chapter I**

### **GENERAL PROVISIONS**

#### **Article 1. Entrepreneurship**

1. Entrepreneurial activity (entrepreneurship) represents initiating independent activity by citizens and their associations aimed at obtaining profit.

2. Entrepreneurial activity is carried out by citizens at their own risk and under property liability within the limits determined by the organizational and legal enterprise form.

#### **Article 2. Subjects of Entrepreneurship**

1. The following can be subjects of entrepreneurial activity in the RSFSR:

- citizens of the RSFSR and other Union republics not limited, in accordance with the procedure established by law, in their competence;
- citizens of foreign states and persons without citizenship within the legal powers established by RSFSR legislation;
- associations of citizens—collective entrepreneurs (partners).

2. The status of an entrepreneur is acquired by means of state registration of an enterprise in accordance with the procedure established by this law and other RSFSR legislative acts. Performance of entrepreneurial activity without registration is prohibited.

3. Entrepreneurial activity carried out without the use of hired labor can be registered as individual labor activity. Entrepreneurial activity carried out with the use of hired labor is registered as an enterprise.

#### **Article 3. Forms of Entrepreneurial Activity**

1. Proceeding from the nature of entrepreneurial activity and relations with the owner, entrepreneurial activity can be carried out both by the owner himself and by the subject managing his property on the basis of the right of economic management with the establishment of the limits of such management by the property owner.

2. Relations between the subject managing the enterprise and the property owner are regulated by an agreement (contract), which determines the mutual obligations of the parties, limitations of the rights of property use and performance of individual types of activities, the procedure and conditions of mutual financial relations and financial responsibility of the parties, and the grounds for and terms of cancellation of an agreement.

The enterprise property owner does not have the right to interfere in enterprise activity after the conclusion of an

agreement with the manager with the exception of cases stipulated by an agreement, enterprise bylaws, and RSFSR legislation.

#### Article 4. Enterprise

1. An independent managing subject founded, in accordance with the procedure established by this law, for the production of products, performance of work, and provision of services for the purpose of meeting public needs and obtaining profit is an enterprise.

2. An enterprise independently carries out its activity and disposes of produced products and the obtained profit left at its disposal after paying taxes and making other compulsory payments.

3. Relations between an enterprise and other enterprises, organizations, institutions, soviets of people's deputies, state and municipal management bodies, and citizens are regulated by the legislation of the RSFSR and its constituent republics.

#### Article 5. Enterprise Owners

1. In accordance with the Law "On Property in the RSFSR" enterprises in private, state, and municipal ownership and in the ownership of public organizations can be established and operate in the Russian Federation.

2. Enterprises based on the property of the USSR, the RSFSR, its constituent republics, autonomous oblasts, autonomous okrugs, local soviets, local self-management bodies, public organizations, other Union republics, foreign states, international organizations, and legal entities and citizens of the RSFSR, of other Union republics, and of foreign states can be established and operate in the RSFSR.

3. Enterprises of a mixed form of ownership based on the unification of property in private, municipal, and state ownership, as well as in the ownership of public organizations, foreign states, and legal entities and citizens can be established and operate in the RSFSR.

### Chapter II

#### ORGANIZATIONAL AND LEGAL ENTERPRISE FORMS

##### Article 6. State Enterprise

1. A state enterprise is founded by management bodies of the RSFSR and its constituent republics, autonomous oblasts, autonomous okrugs, krais, and oblasts authorized to manage state property.

2. The property of a state enterprise, or state investment in an enterprise of a mixed form of ownership, is formed from budget appropriations and (or) investments of other state enterprises, received income, and other legal sources and is owned by the RSFSR or by its constituent republic, autonomous oblast, autonomous okrug, kray, or oblast.

The indicated property can be placed under the economic management of an enterprise in the person of the labor collective.

3. A state enterprise is responsible for its obligations with enterprise property.

The state and its bodies do not bear responsibility for the obligations of a state enterprise. An enterprise is not responsible for the obligations of the state and its bodies.

4. A state enterprise is a legal entity and has its own name with an indication of the organizational and legal enterprise form.

##### Article 7. Municipal Enterprise

1. A municipal enterprise is founded by local soviets of people's deputies, or by local self-management bodies.

2. The property of a municipal enterprise, or the investment of the local soviet (local self-management body) in an enterprise of a mixed form of ownership, is formed from appropriations from corresponding local budget funds and (or) investments of other municipal enterprises, received income, and other legal sources and is owned by the rayon, the city, their constituent administrative and territorial formations, and local self-management bodies.

The indicated property can be placed under the economic management of an enterprise in the person of its labor collective.

3. A municipal enterprise is responsible for its obligations with enterprise property.

Local soviets of people's deputies and local self-management bodies do not bear responsibility for the obligations of a municipal enterprise and a municipal enterprise is not responsible for the obligations of local management bodies.

4. A municipal enterprise is a legal entity and has its own name with an indication of the organizational and legal enterprise form.

##### Article 8. Individual (Family) Private Enterprise

1. An enterprise belonging to a citizen on the basis of the right of ownership, or to members of his family on the basis of the right of common share ownership, unless otherwise stipulated by the agreement between them, is an individual enterprise.

2. The property of an individual enterprise is formed from the property of a citizen (family), received income, and other legal sources. An individual enterprise can be formed as a result of the acquisition by a citizen (family) of a state or a municipal enterprise.

3. The owner of an individual enterprise bears responsibility for enterprise obligations within the limits determined by enterprise bylaws.



4. An individual enterprise has its own name with an indication of the organizational and legal enterprise form and the family name of its property owner.

#### **Article 9. General Partnership**

1. A general partnership represents an association of several citizens and (or) legal entities for joint economic activity on the basis of an agreement among them.

All partners in a general partnership bear unlimited joint and several liability for partnership obligations with their entire property.

2. The property of a general partnership is formed from partners' investments, received income, and other legal sources and belongs to its partners on the basis of the right of common share ownership.

3. A general partnership has its own name with an indication of the organizational and legal form and the name of no less than one of its partners. A general partnership is not a legal entity.

Legal entities—partners in a general partnership—retain the independence and rights of a legal entity.

#### **Article 10. Mixed Partnership**

1. A mixed partnership represents an association of several citizens and (or) legal entities established on the basis of an agreement among them for joint economic activity.

A mixed partnership includes general partners and investor partners. General partners of a mixed partnership bear full joint and several liability for partnership obligations with their entire property. Investor partners bear liability for partnership obligations within the limits of the investment in partnership property. A mixed partnership is not liable for the property obligations of investor partners.

2. The property of a mixed partnership is formed from partners' investments, received income, and other legal sources and belongs to its partners on the basis of the right of common share ownership.

3. A mixed partnership has its own name with an indication of the organizational and legal form and the name of no less than one general partner. A mixed partnership is a legal entity. Legal entities—partners in a mixed partnership—retain the independence and rights of a legal entity.

#### **Article 11. Partnership With Limited Liability (Closed-Type Joint-Stock Company)**

1. A partnership with limited liability (closed-type joint-stock company) represents an association of citizens and (or) legal entities for joint economic activity. The statutory fund of a partnership (joint-stock company) is formed only from investments (shares) of the founders.

2. All partners in a partnership with limited liability (closed-type joint-stock company) are liable for their obligations within the limits of their investments. Investments of partners in a partnership with limited liability (closed-type joint-stock company) can pass from one owner to another only with the consent of other partners in the partnership in accordance with the procedure provided for by partnership bylaws.

3. The property of a partnership with limited liability (closed-type joint-stock company) is formed from partners' investments, received income, and other legal sources and belongs to its partners on the basis of the right of common share ownership.

4. A partnership with limited liability (closed-type joint-stock company) is a legal entity, operates on the basis of bylaws approved by its partners, and has its own name with an indication of the organizational and legal partnership form. Legal entities—partners in a partnership with limited liability (closed-type joint-stock company)—retain the independence and rights of a legal entity.

#### **Article 12. Open-Type Joint-Stock Company**

1. An open-type joint-stock company represents an association of several citizens and (or) legal entities for joint economic activity.

Shareholders bear liability for the obligations of the joint-stock company within the limits of their investment (block of shares belonging to them).

A joint-stock company is not liable for the property obligations of shareholders.

2. The property of an open-type joint-stock company is formed from the sale of shares in the form of an open subscription, received income, and other legal sources. A free sale of shares is allowed under the terms established by RSFSR legislation.

3. The conversion into joint-stock companies of state and municipal enterprises, as well as enterprises in whose property the investment of the state or of local soviets makes up more than 50 percent, is made by the owner or the body authorized by him with due regard for the opinion of the labor collective and in accordance with RSFSR legislation on privatization.

4. An open-type joint-stock company is a legal entity, operates on the basis of bylaws approved by its partners, and has its own name with an indication of its organizational and legal form. Legal entities—shareholders—retain the independence and rights of a legal entity.

#### **Article 13. Associations of Enterprises**

1. Enterprises can unite into unions, groupings, concerns, and intersectorial, regional, and other associations. Associations are established on a contractual basis for

purposes of expanding the opportunities of enterprises in production, scientific-technical, and social development.

Enterprises forming part of an association retain their independence and rights of a legal entity. Managing bodies of an association do not have administrative authority with respect to enterprises forming part of the association and perform their functions on the basis of agreements with enterprises.

The decision on the entry into an association of a state or a municipal enterprise, as well as of an enterprise of a mixed form of ownership, in which the share of state or municipal property makes up more than 50 percent, is made in agreement with the labor collective.

2. Associations are established on the basis of:

- voluntary entry of enterprises into an association and withdrawal under the terms determined by association bylaws;
- observance of antimonopoly legislation;
- freedom of choice of the organizational form of association;
- organization of relations among enterprises forming part of an association on the basis of economic independence and agreements.

3. An association has its own name with an indication of its organizational and legal form and operates on the basis of bylaws.

#### **Article 14. Affiliates and Representative Offices of an Enterprise**

1. An enterprise has the right to establish representative offices, affiliates, departments, and other separate subdivisions with the right to open current and settlement accounts.

2. Coordination of the matter concerning the placement of such separate subdivisions with corresponding local soviets of people's deputies is made in accordance with the procedure established for the founding of an enterprise.

3. Affiliates, representative offices, departments, and other separate subdivisions of enterprises operate on the basis of bylaws and provisions approved by an enterprise.

4. The establishment of affiliates, representative offices, departments, and other separate subdivisions in the territory of other Union republics and states can be carried out in accordance with the legislation at the place where an enterprise is opened, unless otherwise stipulated by international [mezhdunarodnyye] agreements.

#### **Article 15. Enterprise Established on the Basis of Leasing and Buyout of Property by the Labor Collective**

1. The labor collective of a state or a municipal enterprise, as well as of an enterprise with a mixed form of ownership, in whose property the share of the state or

of the local soviet of people's deputies makes up more than 50 percent, and of one or several structural subdivisions (units) of the indicated enterprises, has the right to establish a partnership and to lease and (or) buy out state or municipal property for the ownership of enterprise workers under the terms determined by RSFSR legislation.

2. In accordance with the leasing agreement the produced products, received income, and other property purchased from the lessee's (partnership's) funds, minus the rent and other mandatory payments, is its property.

3. The terms of economic activity of the partnership leasing property, property liability of the parties, and procedure and terms of property buyout are determined by the leasing agreement.

### **Chapter III**

#### **LEGAL STATUS OF THE ENTREPRENEUR AND GUARANTEES FOR ENTREPRENEURIAL ACTIVITY**

##### **Article 16. Entrepreneur's Rights**

Every subject of entrepreneurial activity has the right:

- to start and carry out entrepreneurial activity through the establishment, purchase, or conversion of an enterprise, as well as conclusion of an agreement with the enterprise property owner;
- to attract on a contractual basis and to use financial resources, objects of intellectual property, assets, and individual property rights of citizens and legal entities;
- to independently form the production program, to select suppliers and consumers of his products, and to set their prices within the limits determined by RSFSR legislation and agreements;
- to engage in foreign economic activity;
- to carry out administrative and organizational activity concerning enterprise management;
- to hire and dismiss workers on behalf of an enterprise or independently in accordance with the legislation in effect and enterprise bylaws;
- to dispose of enterprise profit in accordance with RSFSR legislation, agreements, and enterprise bylaws;
- to use the services of the system of state social security and medical and social insurance;
- to form unions, groupings, and other associations of entrepreneurs;
- to contest in the court (board of arbitration), in accordance with the procedure established by law, actions by citizens, legal entities, and state management bodies.

##### **Article 17. Entrepreneur's Obligations**

The entrepreneur must:

- fulfill obligations stemming from RSFSR legislation and agreements concluded by him, including agreements with the enterprise property owner;

- in accordance with RSFSR legislation conclude independently, or on behalf of the enterprise, labor agreements with citizens working for wages or with bodies authorized by them;
- fully settle accounts with all enterprise workers according to concluded agreements, irrespective of the enterprise's financial status;
- carry out social, medical, and other types of compulsory insurance for citizens working for wages and provide conditions for their labor activity in accordance with RSFSR legislation and the collective agreement;
- fulfill the decisions of central and local bodies of power on social protection for disabled persons and other individuals with limited work fitness;
- promptly submit a declaration on enterprise income and pay taxes in accordance with the procedure and amounts determined by RSFSR legislation;
- declare the enterprise's bankruptcy in case it cannot fulfill its obligations to creditors.

#### Article 18. Entrepreneur's Responsibility

1. In accordance with RSFSR legislation the entrepreneur bears responsibility for an improper execution of concluded agreements, violation of the property rights of other subjects, environmental pollution, violation of antimonopoly legislation, nonobservance of safe working conditions, and sale of products harmful to consumers's health.

2. The entrepreneur is responsible to creditors with enterprise property in accordance with the organizational and legal enterprise form.

3. In accordance with RSFSR legislation the entrepreneur bears responsibility to the enterprise property owner for nonfulfillment of the obligations provided for by the agreement (contract).

#### Article 19. Entrepreneur's Participation in the Distribution of Enterprise Profit

1. After taxes and dividends are paid and other mandatory payments are made, enterprise profit is placed at the entrepreneur's disposal and is used by him independently, unless otherwise stipulated by enterprise bylaws.

2. An entrepreneur working on the basis of an agreement (contract) can receive remuneration both in the form of wages and in the form of a share of the enterprise profit. The forms, procedure, and terms of remuneration for the entrepreneur's labor are determined by an agreement (contract) concluded with the enterprise property owner.

3. When entrepreneurial activity is carried out by a collective entrepreneur, the income of each partner is determined on the basis of an agreement between them.

4. The entrepreneur's private income is subject to taxation in accordance with the procedure established by RSFSR legislation on citizens' taxation.

#### Article 20. Guarantees for Entrepreneurial Activity

1. The following is guaranteed in the RSFSR:

- The right to engage in entrepreneurial activity, to establish enterprises, and to purchase the equipment necessary for their activity;
- prohibition of the refusal to register an enterprise for reasons of inexpediency;
- protection for the rights and interests of subjects of entrepreneurial activity operating in the territory of the RSFSR, of other Union republics, and of foreign states on the basis of international agreements and prohibition of discrimination against enterprises on the part of the state and its bodies and officials;
- equal right of access on the part of all subjects of entrepreneurial activity to the market and to material, financial, labor, information, and natural resources and equal conditions of activity of enterprises, irrespective of the type of ownership and their organizational and legal forms;
- protection for enterprise property from illegal withdrawal;
- the entrepreneur's free choice of the sphere of enterprise activity within the limits established by RSFSR legislation and concluded agreements;
- the entrepreneur's right, in accordance with RSFSR legislation, enterprise bylaws, and the agreement (contract) concluded with the owner, to independently dispose of enterprise property, to determine the volumes of production and the procedure and terms of sales of products, and to distribute the profit for production development;
- economic, scientific-technical, and legal support for entrepreneurial activity;
- possibility of entrepreneurial risk insurance by insurance companies;
- prohibition of the monopoly position of individual enterprises and their associations in the market and of unfair competition.

2. Interference on the part of the state and its bodies in enterprise activity is not permitted, except on the grounds established by RSFSR legislation and within the limits of legal powers of the indicated bodies. An enterprise has the right to petition the court or the State Board of Arbitration to declare the acts of any state bodies and activities of officials concerning the enterprise unlawful and invalid.

The damage done to an enterprise, including the loss of expected gain as a result of the fulfillment of directives of state or other bodies, which contradict RSFSR legislation, or of their officials, who violate enterprise rights, as well as an improper performance by such bodies or their officials of their obligations with respect to the enterprise, which are provided for by legislation, is subject to compensation by these bodies.

Disputes concerning compensation for damages are resolved by the court or the State Board of Arbitration in accordance with their competence.

#### Chapter IV

### FOUNDATIONS FOR ENTERPRISE ACTIVITY

#### Article 21. Spheres of Enterprise Activity

1. An enterprise carries out its activity in all spheres and sectors of the national economy. An enterprise can carry out one or several types of activities.

2. An enterprise can carry out any types of activities provided for by its bylaws, if they are not prohibited by the legislation of the RSFSR or its constituent republics.

3. State enterprises are exclusively permitted the following:

- production of any types of weapons, ammunition, explosives, and pyrotechnic products, as well as repairs of combat arms;
- production and sales of narcotic, strong-acting, and toxic substances;
- sowing, cultivation, and sales of crops containing narcotic and toxic substances;
- processing of precious metal ores and radioactive and rare-earth elements;
- treatment of patients suffering from dangerous and especially dangerous infectious and oncological diseases, as well as from mental diseases in aggressive forms;
- production of liqueur-vodka and tobacco products;
- production of orders and medals.

4. Individual types of activities can be carried out by an enterprise only on the basis of a special permit (license).

The list of these types of activities and the procedure of obtaining a license are determined by the RSFSR Council of Ministers and by councils of ministers of republics forming part of the RSFSR, or by bodies authorized by them.

#### Article 22. Planning of Enterprise Activity

An enterprise independently plans its activity and determines the prospects for development, proceeding from the demand for produced products, work, and services and the need to ensure the enterprise's production and social development and to increase the personal income of its workers.

Agreements concluded with consumers (purchasers) of products, work, and services, including with state bodies and suppliers of material and technical resources, form the basis for plans.

#### Article 23. Prices and Price Formation

1. An enterprise sells its products, work, services, and production waste at prices and rates set independently or on a contractual basis and in cases provided for by RSFSR legislation, at state prices.

2. In accordance with antimonopoly legislation the state has the right to regulate the prices of products of enterprises holding a dominating position in the market.

3. The list of types of products, to which state price regulation is applied, is established by the RSFSR Council of Ministers.

#### Article 24. Financial and Credit Relations

1. Profit, depreciation allowances, funds received from sales of securities, and fixed and other contributions by members of the labor collective, enterprises, organizations, and citizens, as well as credits and other proceeds not contradicting the law, are the source of formation of an enterprise's financial resources.

2. An enterprise has the right to open current and other accounts in any bank for the keeping of funds and performance of all types of settlement, credit, and cash operations.

The bank or its department at the place where an enterprise is registered must open a current account at the enterprise's request.

3. An enterprise bears full responsibility for the observance of credit agreements and payment discipline. An enterprise not fulfilling its payment obligations can be legally declared insolvent (bankrupt) in accordance with RSFSR legislation.

#### Article 25. Foreign Economic Activity

1. An enterprise has the right to independently engage in foreign economic activity in accordance with RSFSR legislation.

State monopoly is established on the export of individual products according to the list determined by the RSFSR Council of Ministers.

2. Mutual currency relations between an enterprise and republic and local budgets are regulated by RSFSR legislation. After the payment of taxes into republic and local budgets the currency profit of an enterprise is used by it independently.

Other withdrawals of enterprise currency funds are prohibited.

3. An enterprise has the right to use the credit of Soviet and foreign banks and commercial credit in foreign currency, as well as to purchase currency at auctions and currency exchanges and from legal entities and citizens in accordance with the procedure established by legislation.

#### Article 26. Labor Relations

1. Relations between a worker and an enterprise based on a labor agreement are regulated by RSFSR legislation on labor.



Relations between a worker and an enterprise based on an agreement on membership in an economic partnership are regulated by RSFSR civil legislation and by the partnership's founding documents.

2. The forms, systems, and amounts of wages of enterprise workers, as well as other types of their income, are established by an enterprise independently.

3. An enterprise ensures the wage minimum guaranteed by law, working conditions, and measures of social protection for workers, irrespective of the types of ownership and organizational and legal enterprise forms.

#### **Article 27. Social Activity**

1. Social development, improvement in working conditions, compulsory social and medical insurance, and social security for enterprise workers and their family members are regulated by RSFSR legislation.

2. An enterprise must provide safe working conditions for its workers and, in accordance with the procedure established by legislation, bears responsibility for the damage done to their health and work fitness.

3. An enterprise can independently establish for its workers additional leaves, a shorter work day, and other benefits, as well as provide incentives for workers of organizations servicing the labor collective and not forming part of the enterprise.

#### **Article 28. Control Over Enterprise Activity**

1. An enterprise, irrespective of its organizational and legal forms, keeps accounting and statistical records in accordance with the procedure established by RSFSR legislation.

An enterprise submits to state bodies information necessary for taxation and for managing the statewide system of collection and processing of economic information.

An enterprise publishes data on its activity, including annual balance sheets, in accordance with the procedure established by RSFSR legislation.

2. An enterprise has the right not to submit information containing a commercial secret. The list of data constituting a commercial secret is determined by the enterprise manager.

The list of data, which cannot constitute a commercial secret, is determined by the RSFSR Council of Ministers.

3. For a distortion of state reporting enterprise officials bear financial, administrative, and criminal responsibility established by RSFSR legislation.

4. Tax, nature protection, antimonopoly, and other state bodies, which RSFSR legislation entrusts with a check on enterprise activity, carry it out as the need arises and within their competence. An enterprise has

the right not to fulfill the demands of these bodies concerning matters not within their competence and not to familiarize them with materials not pertaining to the subject of control.

Check results are reported to the enterprise.

#### **Article 29. Enterprise Responsibility**

1. For a violation of contractual, credit, payment, and tax obligations and for the sale of goods, the use of which can do damage to the population's health, as well as for a violation of other rules of entrepreneurial activity, an enterprise bears responsibility in accordance with RSFSR legislation.

2. An enterprise must compensate for the damage done by an inefficient use of land and other natural resources, environmental pollution, and violation of the rules of production safety, sanitary and hygienic norms, and requirements for the protection of the health of its workers, the population, and consumers of products.

3. The activity of an enterprise violating the established nature use regime can be suspended in accordance with the procedure provided for by RSFSR legislation until the committed violations are eliminated.

### **Chapter V**

#### **ENTERPRISE MANAGEMENT**

##### **Article 30. Principles of Enterprise Management**

1. An enterprise is managed in accordance with RSFSR legislation and enterprise bylaws. An enterprise independently determines the structure of management bodies and expenditures on their maintenance.

2. The property owner exercises his rights to manage an enterprise directly or through bodies authorized by him.

The owner, or bodies authorized by him, can fully or partially delegate these rights to a superior body for managing the enterprise (council, board, and so forth) provided for by its bylaws.

3. The distinctive features of managing enterprises of individual organizational and legal forms are regulated by corresponding RSFSR legislative acts.

##### **Article 31. Enterprise Manager**

1. The hiring (appointment and election) of an enterprise manager is the right of the enterprise property owner and is realized by him directly, as well as through bodies authorized by him, to which rights to manage the enterprise are delegated.

At a state and a municipal enterprise, as well as at an enterprise in whose property the investment of the state or of the local soviet makes up more than 50 percent, this right is realized by the enterprise founder jointly with the labor collective.

2. When an enterprise manager is hired (appointed or elected), an agreement (contract) is concluded with him, which determines the rights, obligations, and responsibility of the enterprise manager to the property owner and the labor collective, his wage terms, term of the contract, and terms of release from the held post.

3. An enterprise manager without a power of attorney acts on behalf of the enterprise, represents its interests, disposes of enterprise property, concludes agreements, including labor agreements, issues powers of attorney, opens current and other accounts in banks, uses the right to dispose of funds, approves the staff, issues orders, and gives directives obligatory on all enterprise workers.

4. An enterprise manager can be relieved of the post held before the expiration of the agreement (contract) on the grounds provided for by the agreement or RSFSR legislation.

#### **Article 32. Labor Collective of an Enterprise**

1. All citizens participating with their labor in the activity of an enterprise on the basis of a labor agreement make up its labor collective.

2. The labor collective of an enterprise, irrespective of its organizational and legal form:

- solves the problem of the need to conclude a collective agreement with the administration and examines and approves its draft;
- examines and solves problems of self-management of the labor collective in accordance with enterprise bylaws;
- determines the list and procedure of granting social benefits from the funds of the labor collective to enterprise workers;
- determines and regulates the forms and conditions of activity of political parties and religious and other public organizations at the enterprise.

3. The labor collective of a state or a municipal enterprise, as well as of an enterprise in whose property the investment of the state or of the local soviet makes up more than 50 percent:

- examines and approves, jointly with the founder, the changes in and supplements to enterprise bylaws;
- jointly with the enterprise founder determines the contract terms during the hiring of a manager;
- adopts a decision on the separation from the enterprise structure of one or several structural subdivisions for the establishment of a new enterprise;
- adopts a decision on the establishment on the basis of the labor collective of a partnership for changing over to the leasing and buyout of the enterprise.

4. The procedure and forms of execution of the labor collective's legal powers are determined in accordance with RSFSR legislation. At state and municipal enterprises, as well as at enterprises in whose property the investment of the state or of the local soviet makes up more than 50 percent, the legal powers of the labor

collective are exercised by the general meeting (conference) and its elected body—the labor collective council.

5. Mutual relations of the labor collective with the entrepreneur, labor protection, social development, and workers' participation in enterprise profit are regulated by RSFSR legislation, bylaws, and the collective agreement. Disputes arising during the conclusion and execution of the collective agreement are resolved in accordance with the procedure established by RSFSR legislation.

### **Chapter VI**

#### **GENERAL CONDITIONS FOR ESTABLISHMENT AND SUSPENSION OF ENTERPRISE ACTIVITY**

##### **Article 33. Procedure of Establishment of an Enterprise**

1. An enterprise can be established either by the decision of the property owner or the body authorized by him, or by the decision of the labor collective of a state or a municipal enterprise in cases and in accordance with the procedure provided for by this law and other RSFSR legislative acts.

An enterprise can be established as a result of the separation of one or several structural subdivisions (units) from an existing enterprise, association, or organization with the reservation to these structural subdivisions (units) of existing obligations to the enterprise.

An enterprise can also be established as a result of a forced division in accordance with antimonopoly RSFSR legislation. Disputes concerning matters of separation and division of enterprises are resolved legally or by arbitration.

2. The bylaws of an enterprise, as well as the decision on its establishment, or the founders' agreement, are its founding documents. Enterprise bylaws determine the organizational and legal form of the enterprise, its name, address, management and control bodies, the procedure of profit distribution and formation of enterprise funds, and terms of reorganization and liquidation of the enterprise.

The bylaws of an enterprise are approved by its founder (founders). At a state and a municipal enterprise, as well as at an enterprise of a mixed form of ownership, in whose property the share of the state or of the local soviet makes up more than 50 percent, bylaws are approved by the founder (founders) jointly with the labor collective.

3. An enterprise is considered established and acquires the rights of a legal entity from the day of its state registration.

##### **Article 34. State Registration of an Enterprise**

1. The state registration of an enterprise, irrespective of its organizational and legal form, is carried out by the rayon, city, and city rayon soviet of people's deputies at the place where the enterprise is established.

The data of state registration of an enterprise are reported within 1 month by the soviet registering the enterprise to the RSFSR Ministry of Finance for inclusion in the state register.

The activity of a nonregistered enterprise is prohibited. The income received from the activity of a nonregistered enterprise is exacted through the court and is assigned to the local budget.

2. A state duty in an amount established by RSFSR legislation is exacted for the registration of an enterprise and is assigned to the local budget.

3. For the registration of an enterprise the founder submits the following documents:

- the founder's application;
- enterprise bylaws;
- the decision on the establishment of an enterprise or the founders' agreement;
- the certificate on the payment of a state duty.

4. A decision on the registration or nonregistration of an enterprise should be adopted no later than within 1 month from the time of submission of the founder's application, bylaws, the founders' agreement, and the certificate on the payment of a state duty. The register holder announces the registration of the enterprise in the local press no later than within one week from the day of registration.

5. When changes in or supplements to the founding documents of an enterprise are made and when the organizational and legal enterprise form is changed, the founder must report the corresponding information to the soviet registering the enterprise within one week.

#### Article 35. Denial of Registration of an Enterprise

1. Denial of state registration of an enterprise is possible in case of violation of the procedure of founding an enterprise established by this law, as well as noncorrespondence of founding documents to the requirements of RSFSR legislation.

Denial of enterprise registration for other reasons is illegal. The corresponding body must report on the decision to deny enterprise registration within a three-day period in written form to the enterprise founder.

2. Denial of enterprise registration can be appealed legally. The entrepreneur can exact through the court the damages incurred as a result of the illegal denial of enterprise registration.

#### Article 36. Permit To Engage in Economic Activity

1. The permit of the rayon, city, and city rayon soviet of people's deputies to engage in a specific economic activity is necessary only if:

- according to RSFSR legislation a qualification certificate is needed;

- enterprise activity requires a plot of land and other natural resources, the permit for the use of which, in accordance with RSFSR legislation, is issued by the local soviet;
- an enterprise establishes production in accordance with the decision of republic or Union bodies of management.

2. A permit to engage in economic activity is issued by the corresponding soviet of people's deputies upon the submission of the entrepreneur's application. The soviet of people's deputies must examine within 1 week from the day of submission of the entrepreneur's application the matter of the permit for economic activity and report its decision in written form to the enterprise within a 3-day period.

The permit to engage in economic activity can be denied:

- if production does not correspond to the ecological and medical norms established by RSFSR legislation;
- in other cases provided for by the legislation of the RSFSR and its constituent republics.

A permit to engage in economic activity can indicate the period of functioning of an enterprise.

3. The refusal of the soviet of people's deputies to issue a permit to engage in economic activity, as well as to grant a plot of land and other natural resources, can be appealed legally no later than during one month from the day on which the decision of the local management body is handed in.

4. A permit for economic activity can be cancelled legally on the grounds established by RSFSR legislation.

#### Article 37. Liquidation and Reorganization of an Enterprise

1. The activity of an enterprise can be suspended in the form of its liquidation or reorganization (merging, joining, division, separation, or conversion into another organizational and legal form).

2. The liquidation and reorganization of an enterprise are carried out by the decision of the owner or body authorized to establish such enterprises with the consent of the labor collective, or by a court decision. The reorganization of an enterprise, which can cause ecological, social, demographic, and other consequences affecting the interests of the territory's population, should be coordinated with a corresponding soviet of people's deputies. In cases provided for by RSFSR legislation the reorganization and liquidation of an enterprise are carried out in coordination with the RSFSR Antimonopoly Committee.

3. An enterprise is liquidated in cases when:

- it is declared bankrupt;
- a decision is adopted on prohibiting enterprise activity owing to the nonfulfillment of conditions established by RSFSR legislation, if during the period provided for by the decision observance of these

conditions is not ensured, or the type of activity is not changed;

- the court declares the founding documents and the decision on establishing the enterprise invalid;
- on other grounds provided for by the legislative acts of the RSFSR and its constituent republics.

4. When an enterprise is reorganized or liquidated, dismissed workers are guaranteed the observance of their rights and interests in accordance with the legislation of the RSFSR and its constituent republics.

5. An enterprise is considered reorganized or liquidated from the moment it is excluded from the State Register.

6. In case one enterprise merges with another, all the property rights and obligations of each of them pass to the enterprise resulting from the merging.

When one enterprise joins another, all the property rights and obligations of the joining enterprise pass to the latter.

7. In case an enterprise is divided, the property rights and obligations of the reorganized enterprise pass to the new enterprises resulting from this division in corresponding parts according to dividends. When one or several enterprises are separated from the enterprise, the property rights and obligations of the reorganized enterprise pass to each of them in corresponding parts according to dividends.

8. When one enterprise is converted into another, all the property rights and obligations of the former enterprise pass to the newly emerging enterprise.

9. The procedure and terms of suspension of activity by individual types of enterprises are regulated by corresponding RSFSR legislative acts.

#### Article 38. Liquidation Commission

1. The liquidation of an enterprise is carried out by the liquidation commission formed by the enterprise property owner, or by the body authorized by him, jointly with the labor collective. In accordance with their decision the liquidation can be carried out by the enterprise itself in the person of its management body.

The liquidation of an enterprise during bankruptcy is carried out in accordance with RSFSR legislation.

The owner, court, or body authorized to establish enterprises, which makes the decision on the liquidation of an enterprise, establishes the procedure and period of liquidation, as well as the period for the presentation of creditors' claims, which can be no less than 2 months from the time the liquidation is announced.

2. The liquidation commission, or another body conducting the liquidation of an enterprise, places in the official press at the place where the enterprise is located a notice on its liquidation and on the procedure and

period of presentation of claims by creditors. Along with this publication the liquidation commission (body conducting the liquidation) must carry out work on the collection of debts owed to the enterprise and presentation of creditors' claims. Creditors and other legal entities, which have contractual relations with the liquidated enterprise, are notified of its liquidation in written form.

The liquidation commission (body conducting the liquidation) evaluates the present property of the liquidated enterprise, settles accounts with creditors, draws up the liquidation balance, and submits it to the owner or body appointing the liquidation commission.

*[signed] B. N. Yeltsin, chairman of the RSFSR Supreme Soviet, Moscow, House of RSFSR Soviets, 25 December 1990.*

#### Decree on Law's Implementation

914A0326B Moscow SOVETSKAYA ROSSIYA  
in Russian 12 Jan 91 First Edition p 5

[Decree of the RSFSR Supreme Soviet on the procedure of implementation of the RSFSR law: "On Enterprises and Entrepreneurial Activity"]

[Text] In connection with the adoption of the RSFSR law: "On Enterprises and Entrepreneurial Activity" the RSFSR Supreme Soviet decrees:

1. To implement the RSFSR Law "On Enterprises and Entrepreneurial Activity" as of 1 January 1991.

2. To abolish in RSFSR territory:

- the operation of the USSR law: "On Enterprises in the USSR," including with respect to enterprises of Union subordination;
- the operation of USSR laws: "On Individual Labor Activity" and "On Cooperatives" in the part contradicting the RSFSR law: "On Enterprises and Entrepreneurial Activity."

3. The RSFSR Council of Ministers:

- must bring the decisions of the RSFSR Government into conformity with the RSFSR law: "On Enterprises and Entrepreneurial Activity;"
- ensure before 1 February 1991 a revision and abolition by RSFSR ministries, state committees, and departments of their normative acts, as well as suspension of the operation of normative acts of the USSR Government, ministries, state committees, and departments contradicting the RSFSR law: "On Enterprises and Entrepreneurial Activity;"
- establish, in accordance with the RSFSR law: "On Enterprises and Entrepreneurial Activity," the status of state and municipal enterprises and associations of all types, including scientific production associations, concerns, groupings, and so forth, which already exist in RSFSR territory.



4. The RSFSR Ministry of Justice must prepare and submit a draft law on changes in and supplements to the RSFSR Code of Labor Laws to the RSFSR Supreme Soviet for consideration before 15 February 1991.

5. Instruct the Commission on the Budget, Plans, Taxes, and Prices of the republic's council, jointly with the Committee on Problems of Economic Reform and Property of the RSFSR Supreme Soviet, before 1 February 1991 to prepare a draft decree on the procedure of application of RSFSR legislative acts concerning taxation on citizens and enterprises pertaining to various organizational and legal forms.

6. Supreme soviets of republics forming part of the RSFSR, oblast and kray soviets, soviets of autonomous oblasts and autonomous okrugs, and soviets of people's deputies must ensure the publication of the mentioned law and of this decree in the mass information media instituted by soviets of people's deputies.

7. Commissions of chambers and committees of the RSFSR Supreme Soviet must organize an explanation of the basic provisions of the RSFSR law: "On Enterprises and Entrepreneurial Activity."

*[signed] B. N. Yeltsin, Chairman of the RSFSR Supreme Soviet, Moscow, House of RSFSR Soviets, 25 December 1990.*

### **Ukrainian Law on Development of Village, Agroindustrial Complex**

#### **Text of Law**

914A0352A Kiev PRAVDA UKRAINY in Russian  
25 Oct 90 pp 1, 3

[Law of the Ukrainian Soviet Socialist Republic "On Priority of Social Development of the Village and the Agroindustrial Complex in the National Economy of the Ukraine"]

[Text] The priority of social development of the village and the agroindustrial complex is an objective product of the exceptional significance and irreplaceability of agricultural products in the life of man and society, and of the need for restoring the peasant in his position as the master of the land and as the bearer of morality and national culture. A high level of social development of the village is the principal prerequisite of the republic's food and raw material sufficiency.

This law determines the conditions, content and limits of the priority for development of the social sphere of the village and the agroindustrial complex within the structure of the republic's national economy.

#### **Section I. General Provisions**

#### **Article 1. Organizational, Economic and Legal Measures Ensuring Priority of Social Development of the Village and the Agroindustrial Complex**

The state ensures priority of social development of the village and the agroindustrial complex by implementing the following organizational, economic and legal measures:

- granting agroindustrial commodity producers the right of free choice of the forms and directions of labor and economic activity, and full ownership of the results of their labor;
- creating the necessary resource base for full satisfaction of production needs and for development of the social infrastructure;
- changing state investment policy, and particularly, channeling investments into priority creation of the material and equipment base for the production of mechanization and chemicalization resources, for processing industry and for construction industry supporting the agroindustrial complex with the purposes of improving its socioeconomic status and scientific support, and the social conditions of the life of labor collectives;
- providing full support to capital investments into the socioeconomic development of the village and the agroindustrial complex;
- establishing equivalent commodity exchange between industry and agriculture on the basis of parity in setting prices on their products.
- regulating relations between agroindustrial commodity producers and the state by means of a system of budget financing, credit, taxation and insurance, making wide use of a system of benefits;
- forming the social infrastructure required by the village;
- pursuing demographic policy directed at curbing migration of young people to the cities and ensuring natural growth of the rural population, and creating child rearing conditions for women living in the village;
- training highly skilled specialists and career workers of a wide profile and employed in the major occupations for all types of farms and all directions of production activity;
- creating equal possibilities for all citizens permanently residing and working in the village in satisfying their social, cultural, educational and personal needs.

#### **Article 2. Resources for Ensuring Priority of Development of the Social Sphere of the Village and the Agroindustrial Complex**

The priority of development of the social sphere of the village and the agroindustrial complex is determined by the need for altering the investment structure in the national economy and reorienting industrial production toward their needs and toward increasing capital investments and the volume of material and technical resources.

New programs for socioeconomic development of the republic cannot be adopted without accounting for the priority of rural development.

Plans for construction and installation and their support with material and technical resources and equipment are drawn up at all levels of management in accordance with a procedure under which the needs of the agroindustrial complex are satisfied first and in full volume.

Industrial enterprises and construction and other organizations are compensated fully for losses resulting from nondelivery of material and technical resources or from failure to complete construction and installation jobs.

### **Article 3. Independence in Selecting Forms of Ownership and Organization of Production**

Forms of ownership and organization of production in the agroindustrial complex are determined by the labor collectives and by each of their members in accordance with procedures established by existing legislation.

Interference in the economic or other activity of these owners on the part of state, cooperative and other bodies is prohibited. This provision does not pertain to the legally foreseen rights of state bodies to monitor the activity of enterprises, institutions and organizations.

### **Article 4. Equality of Forms of Business in the Agroindustrial Complex**

All forms of business in the agroindustrial complex (peasant farms, kolkhozes, sovkhozes, subsidiary farms of enterprises and organizations, processing and other enterprises, cooperatives, joint-stock companies, leasing collectives, private plots of citizens etc.) enjoy equal rights in organizing production and possessing their products.

Agroindustrial organizations of all levels that are created voluntarily by agricultural, processing, service and construction enterprises and organizations and by peasant and other farms make up a single organization in all forms of relations in the eyes of the state.

## **Section II. Priority of State Investments**

### **Article 5. Amount of State Centralized Capital Investments Into the Agroindustrial Complex**

The proportion of state centralized capital investments (supported by allocations of contracted jobs and resources) channeled into social development of the village and reinforcement of the material and technical base of the agroindustrial complex must exceed its proportion in the republic's national income in the first five years by not less than 15 points, and in subsequent years it must be at the level of this share.

### **Article 6. Budget Financing of Individual Measures in the Agroindustrial Complex**

Preference is given in the financing of the social infrastructure out of the state budget to housing construction,

to social and cultural facilities, to development of electric power and water supply systems, to gasification, to communication resources and to road building in the village.

A state program of supplying gas and water to the village is to be carried out over a period of 10 years.

Construction of social and cultural facilities, paved roads, farm and interfarm land improvement and hydraulic engineering structures, rural group and distribution water mains, sewage systems and structures, and gas and electric networks for the village, erosion control measures, chemical land improvement, operation of interfarm systems and water management structures, the planting of orchards, hop fields, berry patches and vineyards, and housing construction in remote villages and farms as well, are financed by republic and local budgets.

The expenses of maintaining all social and cultural facilities in the village are financed by the local budget.

Construction and reequipment of processing industry enterprises producing products to be supplied to the republic are financed by the republic budget as a rule.

All roads connecting rural population centers (including within the bounds of these population centers) with the highway network are classified as being roads of the highway network, and they are transferred to the Ukrainian State Concern for Construction, Repair and Maintenance of Motor Roads together with all access roads to rural population centers.

### **Article 7. Economic Stimulation of Labor Collectives of Enterprises and Organizations Doing Work for the Agroindustrial Complex**

The work of building production and social facilities carried out by the labor collectives of city enterprises and organizations for agricultural enterprises on a contract basis is equated to principal forms of activity. Nonspecialized industrial enterprises filling orders for the design and manufacture of machinery, equipment and spare parts for the agroindustrial complex, including for social and cultural facilities, are supplied materials centrally. Profit received from such work is not taxed.

The profits of construction, installation, design and other enterprises and organizations obtained as a result of erecting housing, personal, cultural, trade, public health, educational and communications facilities, roads, power, gas and water distribution systems, livestock buildings, engineering complexes of the machine and tractor fleet, and other facilities for the village that help to improve the social position of the village are not taxed.

The part of the profit of agroindustrial enterprises and organizations expended for the development and maintenance of the social sphere of the village is not taxed.

### **Section III. Social Protection of Peasants and Agricultural Enterprises**

#### **Article 8. Preference to the Village in Social, Cultural and Consumer Support**

Villages are shown preference over cities (per capita) in erection of housing, educational, cultural, sports, public health, consumer service and trade facilities, gasification, water and electric power supply, telephone services and communication, and radio and television services, and they are provided conditions equal to cities for the supply of industrial goods and food, and in the level of medical, cultural, personal, transportation and other forms of services.

#### **Article 9. Benefits to Persons Moving to Labor-Poor Population Centers**

Persons moving to labor-poor population centers of the republic and declaring their desire to work in the agroindustrial complex are provided housing and farm structures out of the republic budget. Housing built in villages at the expense of budget assets is transferred to the private possession of such immigrants after 10 years on the condition that they work in the agroindustrial complex and in the rural social sphere.

The list of such population centers and the types of benefits are determined by the government of the Ukrainian SSR, or on its instructions by another body.

Local soviets of people's deputies are granted the right to reserve housing space for a predetermined time for persons announcing their desire to leave for labor-poor villages at their place of permanent residence.

#### **Article 10. Impermissibility of Making Changes in the Rural Settlement Network Without Accounting for the Will of Its Inhabitants**

The state protects the rural settlement network irrespective of the category, size and location of rural population centers. Any transformations of rural settlements (unification, separation, renaming, transfer to another category and so on) may be effected by decisions of sessions of rayon soviets of people's deputies only at the will of the inhabitants of these settlements.

#### **Article 11. Benefits in Private Housing Construction in the Village**

The government of the Ukrainian SSR and local soviets of people's deputies promote development of private housing construction in the village and create advantageous conditions for builders, including workers in the social sphere and in rural population services, in supply of construction materials and equipment, and in provision of services and advantageous long-term bank loans, half of which are forgiven five years after a structure is placed into operation on the condition that its owner participates in agricultural production or in processing

industry. These advantages are granted to the young families of rural workers irrespective of the time and place of work. This part of the credit is financed by republic and local budgets.

The dimensions of individual dwellings and farm structures in the village are not regulated.

#### **Article 12. Benefits in Electric Power and Responsibility for Power Supply**

Rural residents and workers of the agroindustrial complex residing in urban settlements use electric power on the basis of advantageous rates.

These benefits also extend to workers of kolkhozes, sovkhoses and other agricultural enterprises residing in oblast- and rayon-subordinated cities.

Losses suffered by rural consumers due to unplanned or accidental shut-downs of electric power are compensated by a time and a half at the expense of the enterprises and organizations of the Ministry of Power and Electrification of the Ukrainian SSR responsible for such losses.

#### **Article 13. Supply of Consumer Goods, Motor Transportation and Construction Materials to Village Inhabitants**

Consumer goods are sold at the same prices in village and urban areas. Such goods are supplied to retired persons, veterans, disabled persons, widows, orphans and large families on the basis of standards that are identical in urban and rural areas.

Rural inhabitants working in the agroindustrial complex and in the village social sphere are allocated half of the republic's market funds for motor transportation and 90 percent for construction materials. Priority sale of agricultural equipment, tools and other goods to them is guaranteed.

The justified demand of rural inhabitants for fuel is satisfied in its full volume.

#### **Article 14. Benefits to Mothers Working in Agricultural Production**

Women working in agricultural production who had raised five children are granted the right to retire on a pension irrespective of age and time of work.

### **Section IV. Equivalency of Commodity Exchange and Prices**

#### **Article 15. Pricing Policy for the Village**

Pricing policy is oriented on constant observance of equivalent exchange between agriculture and industry and other sectors of the national economy by way of a system of purchase prices on agricultural products, wholesale prices on the implements of production and material resources, and rates on services rendered in the village.

**Article 16. Compensation of Additional Expenditures of Enterprises Not Within the Agroindustrial Complex**

Additional production expenditures made by enterprises of metallurgical, power engineering, construction, machine building and other profiles in connection with restructuring of their production in support of the needs of the agroindustrial complex are compensated by the state.

**Article 17. Guarantees of the Rights of a Producer to His Products**

Kolkhozes, sovkhozes and other state and cooperative enterprises and peasant and private farms are guaranteed independence in determining the directions of production activity and the right of full ownership of their products. They are granted the right of free acceptance of state orders for products or for free trade on a voluntary (contracted) basis.

Producers (owners) of agricultural and industrial products of the agroindustrial complex are guaranteed the right of free choice of partners in centralized forms of procurement and in direct (state, cooperative) ties on a contract basis.

Not less than 80 percent of currency receipts of producers of products of the agroindustrial complex remain at their disposal.

**Section V. Mutual Relations With the Budget**

**Article 18. Credit Relations and Write-Off of Bank Loan Indebtedness**

Interest on loans taken out by enterprises and organizations of the agroindustrial complex prior to 1 September 1990 are not to be changed.

All types of bank loans taken out for the construction of facilities in the social sphere of the village (irrespective of the time of their acquisition, or of whether or not the kolkhozes and sovkhozes are in agroindustrial formations) are to be written off.

**Article 19. Tax Benefits**

A profit tax of 25 percent and profit taxation benefits determined by corresponding legislative acts and decisions of the government of the Ukrainian SSR are established for state nonagricultural (industrial, service and other) enterprises (associations) and organizations of the agroindustrial complex.

Kolkhozes, interfarm enterprises and organizations, sovkhozes and other state agricultural enterprises pay a 1.5 percent profit tax, cooperative-state (state-cooperative) construction, repair and construction, industrial and other enterprises and organizations of the State Agroindustrial Committee of the Ukrainian SSR pay a five percent profit tax, and cooperative-state planning and design organizations of this system pay a 15 percent profit tax.

Members of newly created peasant farms are exempt from taxation for five years, and for 10 years in labor-poor settlements.

Income tax is not paid by persons doing agricultural and construction work part-time or seasonally, or by members of student construction detachments erecting facilities in rural areas.

**Article 20. Taxation of Industrial and Other Enterprises and Organizations Not Within the Agroindustrial Complex**

The profits of industrial and other enterprises and organizations not within the agroindustrial complex obtained from production, processing and storage of agricultural products, and of their affiliates (shops) and subsidiary production operations located in rural areas are taxed at half the rate.

Loans to create the indicated enterprises (affiliates, shops, subsidiary production operations) are granted on advantageous terms, and in the first three years of activity they are exempt from taxation.

In the event that such enterprises cease their activity prior to expiration of a four-year period, the total tax is reckoned in the full amount established for this type of enterprises and organizations, over the entire period of their activity.

**Section VI. Scientific and Personnel Support**

**Article 21. Financing of Scientific Research on Problems Concerning Development of the Village and the Agroindustrial Complex**

Scientific research on problems concerned with development of the village and the agroindustrial complex is financed by the state budget.

Experimental farms are independent in determining their economic activity and in developing ties with industrial enterprises and foreign partners. Profits from implementing scientific and technical innovations in agroindustrial production are not taxed for a period of five years.

The Ukrainian Academy of Agrarian Sciences channels the scientific-production potential of scientific research institutions, planning and design and technological organizations and agricultural VUZes of the republic and financial, material and technical resources into priority solution of the most urgent problems of agroindustrial production, ecology and social development of the village.

**Article 22. Quota of Students Admitted to Higher and Secondary Special Educational Institutions Who Will Be Working in Villages**

A quota is foreseen for the number of students admitted to all higher and secondary special educational institutions who will be working in villages upon completion of



their studies. It is determined by the State Agroindustrial Committee of the Ukrainian SSR and local soviets of people's deputies on the basis of the demand for specialists.

Training, retraining and advanced training of specialists with a higher and secondary education and of career workers is funded by the state budget.

#### Article 23. Payment for Labor Resources

Industrial and other enterprises and organizations (with the exception of their subsidiary farms and forestry operations) that are not within the agroindustrial complex employing workers who reside in villages pay for these labor resources to the corresponding village and settlement soviets in accordance with procedures established by the government of the Ukrainian SSR. These assets are used for the development of the social sphere of the village.

### Section VII. Enforcement of the Law

#### Article 24. Responsibility for Enforcing the Law

The responsibility for enforcing this law is upon the Ukrainian SSR Council of Ministers, local soviets of people's deputies and administrative structures at all levels created for this purpose.

#### Article 25. The Obligation to Account for Provisions of the Law When Drafting and Adopting Other Legislative and Normative Acts

The provisions of the Ukrainian SSR law: "On the Priority of Social Development of the Village and the Agroindustrial Complex in the National Economy of the Ukraine" must be observed when drafting and adopting other legislative and normative acts.

*[signed] Chairman of the Ukrainian SSR Supreme Soviet L. Kravchuk, Kiev, 17 October 1990*

#### Decree on Law's Implementation

914A0352B Kiev PRAVDA UKRAINY in Russian  
25 Oct 90 p 3

[Decree of the Supreme Soviet of the Ukrainian SSR on the Procedure for Enacting the Ukrainian SSR law: "On Priority of Social Development of the Village and the Agroindustrial Complex in the National Economy of the Ukraine"]

[Text] The Supreme Soviet of the Ukrainian Soviet Socialist Republic resolves:

1. That the law of the Ukrainian Soviet Socialist Republic: "On Priority of Social Development of the Village and the Agroindustrial Complex in the National Economy of the Ukraine" is to be enacted as of 1 November 1990.

2. That commissions of the Supreme Soviet of the Ukrainian SSR are to heed the requirements of this law when examining new legislative acts of the Ukrainian SSR.

3. That prior to 1 December 1990 the Council of Ministers of the Ukrainian SSR must:

- submit proposals to the Supreme Soviet of the Ukrainian SSR in regard to reconciling existing legislative acts of the Ukrainian SSR with this law;
- bring decrees and orders of the government of the Ukrainian SSR, as well as drafts of the State Plan for Economic and Social Development of the Ukrainian SSR and the State Budget of the Ukrainian SSR for 1991, into correspondence with this law;
- adopt a package of normative acts directed at implementing this law.

*[signed] Chairman of the Supreme Soviet of the Ukrainian SSR L. Kravchuk, Kiev, 17 October 1990*

#### Ukrainian Measures To Implement Law on Village, Agroindustrial Complex

914A0388A Kiev PRAVDA UKRAINY in Russian  
22 Dec 90 p 2

[Article from the Sector of Information of the Ukrainian SSR Council of Ministers: "Priority Goes to the Village"]

[Text] The Ukrainian SSR Council of Ministers has adopted a series of rulings directed at practical implementation of the recently approved Ukrainian SSR law: "On Priority of Social Development of the Village and the Agroindustrial Complex in the National Economy of the Ukraine."

To better provide for provision of material and technical resources, the rulings stipulate that those resources be allotted to the agroindustrial complex on a reserved basis for capital construction, building machines, and production needs, and that they be allotted to the agroindustrial complex first and in full volume.

Industrial enterprises fulfilling orders for the design and manufacture of machines, equipment, and spare parts and of other production for the village will also be provided the necessary resources on a first-priority basis.

The appropriate ministries and departments have been charged with working out during the first half of 1991 a draft program for reorienting machine-building enterprises located on the territory of the republic toward providing for the needs of the agroindustrial complex, stipulating in particular an increase in the production of equipment for the mechanization of peasant farms, leaseholdings, and lease collectives and of technical equipment for the processing sectors.

Questions of the organization of servicing of machinery and equipment, the creation of stations for renting

equipment, and the allotment to the agroindustrial complex of foreign currency allocations for purchasing needed resources abroad will also be resolved.

The government has planned **additional measures to develop the construction of individual housing for the village and improve the social and demographic situation on farms with an insufficient labor pool.**

Beginning in 1991, consumer cooperatives will be allotted 90 percent of the republic's market funds for construction materials as well as building materials in volumes necessary to provide for the demands of rural residents working in the agroindustrial complex and the social sphere of the village.

Presentation of preferential long-term bank loans to rural builders of homes is stipulated. Half of the loan will be compensated at the expense of republic and local budgets five years after the facility has been put to use on condition of the participation of its owner in agricultural production or in the processing industry.

With the formation of a plan for economic and social development and a budget, volumes of construction for the village will be determined annually for facilities for social and cultural use, water supply, and municipal services and, in villages and farms with an insufficient labor pool, for construction of housing at the expense of republic and local budgets.

Families settling in population centers that have an insufficient labor pool in order to work in the agroindustrial complex will be allotted housing and farm buildings and will be paid a one-time monetary grant for acquisition of a farm in the amount of 2,000 rubles [R] to the head of the family and R500 for each member of the family. Housing built in a rural area using budget money will become the private property of the settlers 10 years after settlement on condition that they work in the agroindustrial complex and the social sphere of the village.

It is recommended that kolkhozes, sovkhoses, and other enterprises and organizations offer youth who stay to work in agriculture and persons settling in a rural area for permanent residence a monetary grant for acquisition of a farm and that they allot livestock, feed, fuel, construction materials, etc. under preferential conditions or free of charge.

The local congresses of people's deputies are granted the right to reserve for people expressing the wish to work in a rural area with an insufficient labor pool their living space at their permanent residence for an agreed period of time.

The appropriate ministries and departments of the republic together with the oblispolkoms [oblast soviet executive committees] are charged with devising a program for the development of production of building materials, structures, and equipment for individual housing construction and associated engineering and

with broadening services to grant the agricultural population construction equipment, instruments, and tools for temporary use as well as to provide materials.

The Ukrainian SSR Council of Ministers has required that the Ukrainian SSR State Agroindustrial Committee, the Ukrainian Union of Consumer Societies, and the oblispolkoms create **appropriate conditions for the purchase by the rural population of consumer goods at their place of residence.**

A list of goods has been determined (fish and canned fish, herring, vegetable oil, confectionery products, tea, clothing, hats, footwear, appliances, and furniture) to be provided to the rural population on a priority basis.

Rural residents working in the agroindustrial complex and the social sphere of the village will be the first to be sold agricultural equipment, tools, and other goods for predominantly agricultural use.

Commercial services are to be established under conditions that are equal for the city and the village for retirees, veterans, the disabled, widows, orphans, and large families, establishing a single set of norms and cycle for the sale of prime necessities.

Beginning in 1991, 50 percent of republic market automobile stocks will be designated for sale to rural residents who work in the agro-industrial complex and the social sphere of the village.

The administration of the republic **has approved norms for payments for labor resources by industrial and other enterprises and organizations which do not belong to the agroindustrial complex and which are situated in cities at R600 per year for a single worker in an average position living in a rural locality.** Payment is made to the accounts of the appropriate rural and settlement soviets into funds for the social development of the village that do not pass through the budget.

Social organizations of the disabled and retirees, enterprises and educational institutions for them, and institutions maintained at the expense of the state budget are released from the payments for labor resources.

Exemptions from such payments, depending on the real investment of enterprises and organizations in the development of the social infrastructure of the population center, are granted by the rural and settlement soviets of people's deputies.

#### **Lithuanian Draft Law on Employment**

914A0356A Vilnius EKHO LITVY in Russian 20,  
21 Nov 90

[Draft law of the Lithuanian Republic: "Draft Law of the Lithuanian Republic on Employment of the Population"]

[20 Nov, pp 4-5]

[Text]

The Law of the Lithuanian Republic on Employment of the Population, together with other laws regulating employment relations, establishes the guarantees of the state as to exercise of the constitutional right to work and also choose the type of employment possessed by citizens of the Lithuanian Republic.

### Section I. General Provisions

#### Article 1. Employment of Citizens of the Lithuanian Republic

Citizens of the Lithuanian Republic have the right to freedom of choice of work or to engage in any activity not prohibited by law.

#### Article 2. Application of the Law to Citizens of Other Countries, Stateless Persons, and Citizens of the Lithuanian Republic Working Abroad

This Law applies to citizens of other countries and also to stateless persons on general grounds with the exception of the cases set forth in a separate law or international agreement.

Rights and duties of citizens of the Lithuanian Republic in the area of employment of those working on the territory of other states are defined by the laws of those states unless bilateral agreements provide a different procedure.

#### Article 3. Exercise of the Right to Work

Citizens exercise the right to work by applying directly to employers or going through employment bureaus. The hiring decision is made in agreement between the employer and the citizen applying for work.

Citizens may not work if they choose.

#### Article 4. The Right to Job Placement Under Contract

Pursuant to the procedure established by law, citizens may conclude a job contract with employers located on the territory of other states or at some other place than that of permanent resident of the person concluding the contract.

When job contracts are concluded through the employment bureau, the procedure for concluding them and for compensation of the additional costs involved is determined by the Government of the Lithuanian Republic.

It is the exclusive right of the state to act as intermediary in job placement of citizens abroad; this right is exercised by the employment bureau of Lithuania. Other organizations may act as intermediaries in job placement of citizens abroad only if they have the relevant authority (license).

The procedure for the issuance of licenses is defined by the Ministry of Social Welfare of the Lithuanian Republic.

#### Article 5. The Unemployed

Able-bodied citizens are considered unemployed if for reasons beyond their control they do not have earnings, they are registered with the employment bureau for their place of residence as persons seeking and able to perform particular work, and also who are ready to learn or retrain if that service does not offer them work corresponding to their occupational training, previous employment, and state of health.

### Section II. The Law and Guarantees of Citizens in the Sphere of Employment

#### Article 6. State Guarantees in the Sphere of Employment of the Population

In the cases envisaged by this Law, the state guarantees the following:

- gratis services of vocational guidance and consultation and also information on job vacancies;
- gratis job placement services of the employment bureau;
- training, retraining, and requalification in case of unemployment;
- the opportunity to do public work in case of unemployment;
- an unemployment benefit.

#### Article 7. Programs for Employment of the Population and Supplemental Guarantees

If necessary, the employment bureau of Lithuania drafts state programs for employment of the population and joins with local self-governments in drafting regional programs for this purpose to be adopted by government bodies or local self-governments. These programs are drafted above all in order to protect from unemployment those citizens with the least social protection as enumerated in Article 8 of this Law. Every year, government bodies of local self-governments also assign employers quotas on representation of employment bureaus to hire them or create additional jobs for them in a proportion not to exceed five percent of the total work force.

Employers who do not meet the quota for hiring or creating additional jobs will for each job pay additional deductions into the employment fund in the amount of the 12-month average wage of workers of that enterprise, institution, or organization, except in cases when the employment bureau has not applied concerning placement of the individuals enumerated in Article 8 of this Law.

These funds are used at the discretion of local self-governments to finance the programs referred to in Paragraph 1 of this article.

**Article 8. Citizens Who Enjoy Additional Guarantees in the Employment Sphere**

The following enjoy additional guarantees in the employment sphere:

- disabled persons;
- persons under age 18;
- graduates of general secondary schools, vocational and technical schools, secondary specialized schools, and higher educational institutions;
- women with children under age 14 and men who are single parents bringing up children of that same age;
- persons nearing pension age (with five years or less remaining before the date when they qualify for a full old-age pension);
- persons returning from a place of confinement.

**Article 9. Employer's Duty To Give the Worker Notice of Cancellation of the Job Contract**

The employer may on his own initiative, when there is no fault on the worker's part, cancel a job contract with him that is not concluded for a specified period only after informing him of this in writing two months in advance. A worker who has five years or less remaining before the date when he qualifies for a full old-age pension, minors under age 18, disabled persons, women with children under age 14, and men bringing up children of that same age as single parents must be given written notice of their incoming discharge four months in advance.

The job contract or collective agreement may fix longer periods of advance notice.

The same periods of advance notice are also in effect when a job contract for a specified period is canceled.

In those cases when a shorter time is left before expiration of the job contract for a specified period than the time of advance notice provided for in this article, the employer may dismiss the worker on his own initiative, when there is no fault on the worker's part, only at the end of the life of the job contract.

If a worker is dismissed from his job before the end of the period of advance notice, the date of his dismissal is moved to the date to which the advance notice applies.

The employer may not cancel a job contract on his own initiative with the workers indicated in Article 8 of this Law unless there is fault on their part, unless their total number in the work force exceeds the quota established by the bodies of local self-governments for hiring or creation of additional jobs.

**Article 10. Employer's Duties in Group Layoffs**

An employer who in keeping with the procedure established by law is reducing the number of workers or is terminating the activity of an enterprise, institution, or organization, and anticipates discharging a group of workers over a 30-day period (10 or more in enterprises,

institutions, and organizations employing up to 100 workers or more than 10 percent in enterprises, institutions, and organizations employing more than 100 workers) must give three months' notice of this to the employment bureau and local self-government authorities.

Administrative agencies of the local self-government, on representation of the employment bureau, may temporarily stay the discharge of workers for a period not to exceed six weeks. Employers may be reimbursed a portion of the expenses involved in this from the employment fund or from the budgets of local self-governments.

If an employer has laid off a group of workers in violation of the procedure established in Paragraph 1 of this article, then the date of their discharge is moved to the date when the period indicated in the advance notice expires.

**Article 11. Registration of Job Vacancies**

Employers must register job vacancies with the employment bureau, which makes them known to the general public. By decision of the employment bureau, employers who violate procedure for registering job vacancies pay a fine into the employment fund for each unregistered job vacancy in the amount of the average monthly wage of workers of that enterprise, institution, and organization.

Registration procedure is set down by the Ministry of Social Welfare of the Lithuanian Republic.

**Section III. Economic Prerequisites of Employment of the Population**

**Article 12. The Employment Fund**

An employment fund is formed to finance measures in the area of employment of the population.

The procedure for the formation and use of the employment fund is defined by the Ministry of Social Welfare of the Lithuanian Republic.

The employment fund is at the disposition of the Lithuanian employment bureau.

**Article 13. Resources of the Employment Fund**

The employment fund is formed from the following:

- mandatory contributions of employers for unemployment insurance;
- philanthropic contributions of juridical and natural persons;
- income of employment bureaus;
- additional contributions of employers as indicated in Articles 7 and 11 of this Law;
- subsidies from the state budget and appropriations from the budgets of local self-governments to finance the programs referred to in Article 7 of this Law;
- other revenues.

The state is the guarantor of the employment fund.

**Article 14. Use of the Resources of the Employment Fund**

The resources of the employment fund are used for the following:

- to organize courses for training, retraining, and requalification of unemployed citizens, to cover the costs involved, and to pay stipends;
- to finance programs for employment of the population, to create additional jobs, including jobs for placement of the population groups referred to in Article 8 of this Law;
- to organize public works;
- to pay unemployment benefits;
- to grant credits to the unemployed to organize their own business;
- to finance the operation of the employment bureau of Lithuania.

**Section IV. Social Guarantees for Unemployed Citizens****Article 15. The Right to an Unemployment Benefit**

Individuals who on the basis of the procedure envisaged by Article 5 of this Law are declared unemployed are entitled to an unemployment benefit in the following cases:

- if they have been discharged from their job on the employer's initiative, when there is no fault on the worker's part;
- if they have returned from active military service;
- if they have returned from a place of confinement;
- if they are graduates of general secondary schools, vocational and technical schools, secondary specialized schools, and higher educational institutions;
- if in accordance with the procedure envisaged by legislation they have not been working temporarily because of confinement in a reform school;
- if they are guardians of persons who are legally incompetent and disabled persons in Disability Groups I and II at the end of the guardianship (care).

**Article 16. The Unemployment Benefit**

The unemployment benefit is duly awarded by the employment bureau. Beginning on the eighth day after registration, the benefit is paid for a period not to exceed six months within a 12-month period.

Commencement of the benefit's payment is moved to the end of the period covered by the severance benefit.

Unemployed persons who have had unemployment insurance for at least one year are paid the unemployment benefit monthly in the following amounts:

- during the first two months—70 percent;
- during the next two months—60 percent;
- and during the next two months—50 percent of the average monthly wage at their previous job.

In the case of persons of prepension age (five years or less before the date when they qualify for a full old-age pension), payment of the unemployment benefit in the amount of 50 percent of the average monthly wage may be extended another two months.

The period of the benefit's payment is extended over the period in which the individual worked in public works. The amount of the benefit if payment is extended corresponds to the length of the period in which the unemployed person has been employed in a public job.

Unemployed persons who have had unemployment insurance for less than one year or who have not worked for more than one year are paid a benefit for six months in the amount of the guaranteed income established by the Law on Guaranteed Personal Income.

Unemployed persons who have had unemployment insurance for less than one year or who have not worked for more than one year with good cause (illness, caring for minor children, the sick, disabled persons, etc.) and also graduates of general secondary schools, vocational and technical schools, secondary specialized schools, and higher educational institutions are paid a benefit for six months in the amount of the income maintained by the state as established by the Law on Guaranteed Personal Income.

Individuals who have canceled a job contract without good cause at their own desire or who have been discharged because of fault on their part, graduates of general secondary schools, vocational and technical schools, secondary specialized schools, and higher educational institutions, who during the year following graduation from the educational institution did not apply to the employment bureau, are paid the unemployment benefit at the end of three months following registration with the employment bureau for their place of residence.

In all cases, the unemployment benefit may not be less than the amount of guaranteed income established by the Law on Guaranteed Personal Income nor threefold more than the indexed minimum standard of living.

**Article 17. Cases in Which the Unemployment Benefit Is Not Awarded**

The unemployment benefit is not awarded if the individual:

- refuses a job offered in the cases referred to in Article 18 of this Law;
- fails to report to the employment bureau for a job offered within the stated period and without good cause;
- is receiving a pension from the state budget or social insurance budget.



**Article 18. Cases When the Unemployment Benefit Is Reduced or Withdrawn**

The unemployment benefit of an unemployed person is reduced by 50 percent if he has refused a job offered that corresponds to his occupational training, previous occupational activity, and state of health, if total travel time to and from by municipal or suburban transportation does not exceed three hours or two hours in the case of women bringing up children under age 14 and men bringing up children of the same age as single parents.

An unemployed person is deprived of the unemployment benefit if:

- twice within 30 days he has refused a job offer in the cases indicated in Paragraph 1 of this article;
- he took employment during the period he was receiving the benefit, but did not report this to the employment bureau.

[21 Nov, p 2]

[Text]

**Article 19. Training, Retraining, and Requalification of Unemployed Individuals**

Unemployed individuals whom the employment bureau has been unable to offer permanent work corresponding to their specialty (occupation) for a period of six months following their proper registration are sent to learn another specialty (occupation) or to acquire a higher qualification on the basis of contracts concluded for that purpose with enterprises, institutions, and organizations.

Training, retraining, and requalification may commence earlier with consent of the individuals.

Once they have obtained their new specialty (occupation), citizens are placed in jobs with the employer with whom the contract was concluded for those purposes.

During the training period, individuals who have had unemployment insurance for at least one year are paid a stipend in the amount of the average monthly wage at their previous job, but not more than threefold the indexed minimum standard of living.

Other individuals who have had unemployment insurance for less than one year (Article 16, Paragraphs 6 and 7) are paid a stipend in the amount of the income maintained by the state as set forth in the Law on Guaranteed Personal Income.

The amount of stipend during the training period is established by agreement between the employer and worker for those who have independently obtained employment and are training in another specialty, who are acquiring a higher qualification on the job or have been sent by enterprises, institutions, and organizations to the appropriate educational institutions.

The procedure for training, retraining, and requalification is set forth by the Government of the Lithuanian Republic.

**Article 20. Public Works**

The employment bureau, jointly with local self-governments, organizes temporary jobs in public works, lasting no more than two months, for unemployed citizens for whom it has been difficult to find jobs.

Jobs in public works may be extended for individuals with their consent.

Individuals are remunerated in accordance with the procedure established by law for work in public works.

Those employed in public works do not receive unemployment benefits if the wage in those jobs exceeds the amount of the benefit. The employment bureau pays them the difference between the wage and the unemployment benefit if the wage is less than the unemployment benefit.

All social welfare guarantees established for workers in the relevant occupation (specialty) extend to individuals employed in public works.

The procedure for the conduct of public works is defined by the Government of the Lithuanian Republic.

**Section V. The Lithuanian Employment Bureau**

**Article 21. Structure of the Employment Bureau**

The employment bureau of Lithuania in the Ministry of Social Welfare, which is made up of the republic employment bureau and regional employment bureaus, implements state guarantees of employment of the population on the labor market.

Tripartite commissions operating on voluntary principles are created in association with employment bureaus to solve problems that arise in the area of employment of the population. They are formed of an equal number of equal members: representatives of workers (of associations, trade associations, trade unions, etc.), of employers, and of state administrative agencies. The Ministry of Social Welfare installs the members of the tripartite commission.

The Government of the Lithuanian Republic approves regulations on the employment bureau and the tripartite commission.

**Article 22. Functions of the Employment Bureau**

The employment bureau:

- analyzes the supply and demand on the labor market of the republic, cities, and rayons, and forecasts possible changes in them;
- registers job vacancies and the unemployed;
- conducts a search for job vacancies and provides information to individuals seeking jobs;

- jointly with enterprises, institutions, and organizations, organizes vocational consultation, training, retraining, and requalification of individuals seeking work;
- acts as intermediary in job placement of individuals abroad, issues licenses to other organizations wishing to engage in this activity;
- submits proposals for improvement of education and use of the employment fund and disposes of the resources of the employment fund;
- drafts state programs for employment of the population and joins local self-government in drafting such programs at the regional level, above all for those population groups which cannot compete on equal terms with others on the labor market;
- presents proposals to the bodies of local self-government for temporary stay of layoff of workers or movement of the dates of their discharge if conditions have not been brought about to place the workers laid off in jobs, train them, retrain them, and requalify them, or if the employer did not give the employment bureau timely notice of the layoff of a group of workers;
- imposes fines on employers who violate procedure for registration of job vacancies;
- jointly with local self-governments, organizes public jobs and assigns unemployed individuals to them;
- awards unemployment benefits.

#### **Article 23. Powers of Tripartite Commissions**

The tripartite commissions:

- examine and submit to the employment bureau proposals concerning policy for employment of the population, regulation of the labor market, priorities concerning social assistance of the unemployed, and improvement of this system;
- submit proposals on aspects of drafting programs for employment of the population, measures to limit unemployment, to organize additional jobs, or establish job placement quotas for those population groups which cannot compete equally with others on the labor market, to organize public jobs, vocational consultation, and improvement of the procedure for training and retraining of unemployed individuals;
- regularly discuss the activity of employment bureaus and use of the employment fund and submit proposals in that regard for improvement of their activity.

#### **Section VI. Monitoring Observance of the Law on Employment of the Population**

#### **Article 24. Monitoring Observance of the Law on Employment of the Population**

The State Labor Inspectorate monitors observance of the Law on Employment of the Population.

#### **Article 25. Procedure for Appealing Actions of Employers and the Employment Bureau**

An individual may appeal an action of an employer and employment bureau in the courts in accordance with the procedure established by law.

#### **Commentary on the Draft Law by the Commission for Health Care and Social Welfare Problems of the Supreme Soviet of the Lithuanian Republic and of the Ministry of Social Welfare of the Lithuanian Republic**

As the transition is made to a market economy, there must be fundamental changes in employment relations as well. First, the individual will be granted the exclusive right of choice whether to take a job or engage in another activity not prohibited by law. In exercising his ability to work, the individual will be able to become the guarantee of prosperity and of the future both for himself and his family. Second, there will be a substantial reduction of the sphere of centralized state regulation of employment relations with respect to defining the conditions of hiring and labor, the level of the wage, the place of work, and so on, because of expanded regulation by contract based on mutual combination of the interests of the parties to the job contract: the worker and the employer. It is clear that these interests do not always coincide. That is why the state establishes in legislation certain guarantees for workers. They will be binding on all employers in connection with the conclusion or cancellation of job contracts (for example, those cases will be stated in which the employer may at his own initiative discharge a worker, as well as the minimum wage, the minimum leave, the length of the workweek, and so on).

An entire package of laws will be prepared on behalf of competent regulation of employment relations—concerning employment of the population, on hiring, on collective contracts, on remuneration of labor, on working conditions, on leave, on strikes, and other legislative acts. The Code of Labor Laws is also undergoing appropriate revision.

The draft of the Law on Employment of the Population, which is being put up for public discussion, was drafted so as to take into account recommendations of the conventions of the International Labor Organization, the experience of other countries, and also the realities of Lithuania's economy.

The basic purpose of this law is to create a system of legal, economic, and organizational guarantees that would help inhabitants of the republic who do not have earnings because of objective circumstances, but who want to work and are able to work, and who are ready under certain conditions to train or retrain, to exercise their constitutional right to work.

What are the guarantees envisaged by this law?

First of all, the employment fund is created. The main source of its formation are the mandatory contributions of employers through the procedure of state social unemployment insurance. Thanks to the resources of the fund,

courses will be organized for retraining or requalification of persons who have lost their job, and an appropriate stipend will be paid, additional jobs will be created and public jobs organized, and benefits dependent upon length of service and the income lost will also be paid.

Additional guarantees for obtaining a job are envisaged for those population groups which cannot compete on the labor market on equal terms: disabled persons, persons under age 18, graduates of general secondary schools, vocational and technical schools, secondary specialized schools, and higher educational institutions, a single parent bringing up children under age 14, persons of prepension age, etc.

Job placement services and information on job vacancies will be provided gratis to all inhabitants of the republic (employers will be required to register job vacancies with the employment bureau).

The employment bureau of Lithuania will guarantee the exercise of the guarantees of the state in the area of employment of the population. Its subdivisions will operate in each city and rayon. The problems of employment of the population will be taken up by tripartite commissions created in association with employment bureaus; work collectives, employers, and state administrative agencies delegate their representatives to these commissions on parity principles. The jurisdiction of the tripartite commission will include solving problems of employment of the population in the city or rayon, monitoring use of the employment fund, and so on.

The Standing Commission of the Supreme Soviet of the Lithuanian Republic for Health Care and Social Welfare Problems and the Ministry of Social Welfare, conscious of the socioeconomic importance of this law, call upon inhabitants and work collectives of the republic to take an active part in discussion of this draft and to submit their proposals to the Supreme Soviet (within 10 days from the date of the draft's publication).

## **Lithuanian Law on Partnerships**

### **Text of Law**

914A0337A Vilnius EKHO LITVY in Russian 10,  
13 Nov 90 pp 2-3, 2

[Article: "Law of the Lithuanian Republic on Partnerships"]

[Text]

### **Section 1. General Part**

#### **Article 1. Purpose of the Law**

This law regulates the establishment, reorganization and liquidation of general partnerships [deystvitelnoye khozyaystvennoye tovarishchestvo] and limited partnerships [kommanditnoye (doveritelnoye) khozyaystvennoye tovarishchestvo], as well as their management and their activity, the rights and responsibilities of partners,

and formation and distribution of capital. When this law applies to both general and limited partnerships, the term "partnership" is used.

#### **Article 2. Partnership**

1. A partnership is an enterprise created on the basis of an agreement on general joint activity of several physical or legal persons, as well as of physical and legal persons, by establishment of common proportionate ownership of their property in order to carry out commercial and other activity not prohibited by law under the general name of a company [firma].

2. A partnership must consist of not less than two and not more than 20 partners. State government and administrative bodies, state enterprises and state joint-stock companies may not be partners.

3. A partnership is not a legal person.

#### **Article 3. General Partnership**

1. A general partnership is an enterprise bearing full property liability, and its property is inseparable from the property of the partners.

2. In accordance with the obligations of a general partnership, its partners bear solidary liability with respect to all of its property. A general partnership does not bear liability in relation to the obligations of its partners that are not associated with the partnership's activity.

#### **Article 4. Limited Partnership**

1. A limited partnership is created out of general partners acting in the name of the joint company, and limited partners. There must be at least one general partner and at least one limited partner in a limited partnership.

2. The property of a limited partnership is separable from the property of the limited partners, and it is inseparable from the property of general partners.

3. In relation to obligations of a limited partnership, its general partners bear solidary liability with respect to all of their property, while limited partners do so only within the limits of that property which they had transferred or should have transferred to the limited partnership but had not transferred within the period established by the agreement. An agreement on general joint activity may also foresee other liability of limited partners. A limited partnership does not bear liability in relation to obligations of its partners that are not associated with the activity of the partnership.

#### **Article 5. Name of the Partnership**

1. A partnership possesses its own name (company name). The name of at least one partner of a general partnership must be included in its name. The name of at least one of the general partners must be included in the name of a limited partnership, and the words "limited partnership" or its abbreviation—KKhT—must be

written in. The name of a partnership may include the last and first names or only the last names of the partners.

A partnership is prohibited from possessing a name (company name) similar to the name of another enterprise registered in the Lithuanian Republic, or a name similar to it which might be an obstacle to the normal economic activity of these enterprises. Disputes concerning the name of a partnership are within the jurisdiction of the court.

#### **Article 6. Rights and Responsibilities of a Partnership**

##### **1. A partnership has the right:**

1) to conduct, under its company name, commercial activity foreseen by the agreement on general joint activity, within the Lithuanian Republic and beyond its borders;

2) to maintain accounts in banking institutions registered in the Lithuanian Republic and in other states, and to possess its own seal;

3) to maintain its subdivisions, affiliates and representatives in the Lithuanian Republic and beyond its borders;

4) to purchase property or acquire it by other means, as well as to sell it, lease it, mortgage it or dispose of it by other means;

5) in cases foreseen by the agreement on general joint activity, to sign contracts, accept obligations, and grant or receive interest-bearing loans, as established by the agreement;

6) set prices and rates on its products, rendered services and other resources, except in cases where prices and other standards are regulated by the state;

7) to liquidate or reorganize in accordance with a procedure established by the agreement on general joint activity;

2. A partnership may also possess property rights and personal nonproperty rights and obligations not foreseen by this law, if they do not conflict with laws of the Lithuanian Republic and the agreement on general joint activity.

3. A partnership is not entitled to issue securities.

4. A partnership is obligated to comply in its commercial activity with legislation of the Lithuanian Republic and provisions of the agreement on general joint activity.

5. Obligations of a partnership must be satisfied primarily at the expense of the partnership's property. When the property of the partnership is insufficient, it may be demanded from property belonging to general partners in accordance with rules of the Lithuanian Republic Civil Code regulating solidary satisfaction of obligations. In this case property may be demanded from limited

partners only within the limits of their investments as per the agreement, and only in proportion to the amount of investments not yet made.

6. Suits may be filed against a partnership or its members at times established by the Lithuanian Republic Civil Code. After a partnership ceases its activity, and after a partner leaves (is excluded from) the partnership, a suit may be filed not later than 3 years after liquidation of the partnership or amendment of the agreement on general joint activity, as well as after reregistration with a local body of self-management.

#### **Section II. Creation of a Partnership**

##### **Article 7. Agreement on General Joint Activity**

1. The agreement on general joint activity is the basis for creation of a partnership and its activity; it may be concluded by competent physical persons as well as by legal persons.

2. The agreement on general joint activity must indicate:

1) the name of the partnership (company name);

2) the nature of the partnership's activity;

3) the last and first names and addresses of physical persons who are general partners or limited partners;

4) the names and locations of enterprises and organizations that are general partners or limited partners, as well as the numbers of bank accounts and other particulars of these accounts;

5) the rights and responsibilities of general and limited partners;

6) the shares of general and limited partners in relation to the right of joint ownership, expressed as fractions or percents, and the amount of the initial monetary and nonmonetary (property and products of intellectual activity that are objects of the right of ownership) investments of each of them, an appraisal of nonmonetary investments, and the procedure and deadlines for paying and transferring investments to the partnership;

7) the rules by which to assess the work of general partners and settle accounts with them;

8) the procedure for withdrawing money from the partnership's cash holdings for personal use;

9) the rules of distributing income and losses;

10) the conditions and procedure of admission of general and limited partners to the partnership and of their exclusion from it, and of acceptance of new partners;

11) the rules of managing the partnership and administering its affairs, and the conditions of amending these rules;

12) the last and first names, addresses and powers of persons authorized to represent the partnership and to conduct its other affairs;

13) the procedure for making (voting on) decisions;

14) matters which may be resolved only by decisions made with the consent (unanimous) of all partners;

15) the procedure for the partnership's reorganization and liquidation.

2. The agreement on general joint activity may also foresee other provisions that do not conflict with this and other laws of the Lithuanian Republic.

3. The agreement on general joint activity is signed by each partner of the partnership being created. The agreement is notarized. Copies of the agreement must be notarized in a number equal to the number of partners and the number of copies required for registration of the partnership.

4. A partnership is said to be created from the day of its registration.

5. When a partnership accepts a new general partner in place of a general partner who has been excluded from or has left the partnership, a new agreement on general joint activity must be drafted and notarized, and the partnership must be reregistered. When a partnership accepts a new limited partner in place of one who has been excluded from or has left the partnership, the agreement on general joint activity is amended. Amendments to the agreement must be notarized, and they become effective from the day of their registration.

6. The agreement on general joint activity may be deemed invalid only through court proceedings in the presence of grounds foreseen by the Lithuanian Republic Civil Code that permit interpretation of its deals as invalid.

7. When an agreement on general joint activity is deemed invalid, deals with third parties remain in force, except those which are interpreted as being invalid in accordance with the Lithuanian Republic Civil Code.

#### **Article 8. Registration of a Partnership**

1. The procedure for registering a partnership is regulated—besides by this law—by laws of the Lithuanian Republic on enterprises and on the enterprise register.

2. A partnership may begin its commercial activity only from the moment of its registration.

### **Section III. A Partnership's Capital**

#### **Article 9. Composition of a Partnership's Capital**

1. A partnership's capital consists of its own and loaned capital.

2. The minimum amount of a partnership's own capital is not regulated.

3. A partnership's property is accounted for on the basis of a bookkeeping balance.

#### **Article 10. Investments by Members of a Partnership**

1. An investment may be made in the form of money, material valuables, products of intellectual activity and other valuables that are objects of the right of ownership of a partner. Investments may not be made in the form of securities, as well as property if the owner's right to dispose of it is limited by laws of the Lithuanian Republic.

2. Nonmonetary investments are appraised by common consent of all members.

3. Payment of investments by a limited partner may be postponed by a decision adopted unanimously by all general partners of the partnership.

4. A partner may transfer his investment to another partner or to third parties when they join the partnership, in accordance with a decision adopted unanimously by all general and limited partners.

5. If a partner fails to deposit his investment by the deadline indicated in the agreement on general joint activity, a penalty of an amount set by the agreement may be imposed upon the undeposited portion, or the partner may be excluded from the partnership, if such an act is foreseen by the agreement.

6. The investment of a general partner may not be recovered by his creditors. If the property of a general partner is insufficient to cover his debts, his creditors have the right to demand liquidation of the partnership by court proceedings and apportionment of this member's share. In this case in order to preserve the partnership the other partners may apportion out the share of the common property belonging to the debtor in accordance with the bookkeeping balance of the partnership drawn up on the day the debtor leaves the partnership.

#### **Article 11. Distribution of a Partnership's Income**

1. A partnership's bookkeeping balance is drawn up at the end of the fiscal year, and its income is distributed among the partners in proportion to their shares. When determining the share of income to be received by a general partner, the fact that he has not deposited his entire investment is not taken into account. The share of income paid to a limited partner is determined in proportion to the amount of his actual investment. A proportion of the income by which the initial investments of its partners is increased in proportion to their shares may be left in the partnership. The agreement on general joint activity may also foresee other rules of income distribution. Distribution of a partnership's income is established in accordance with a decision adopted unanimously by all partners.

2. The fiscal year of a partnership begins on 1 January and ends on 31 December.



3. A general or limited partner is entitled to demand payment of the proportion of income belonging to him not earlier than 2 months after income is distributed.

#### **Section IV. Rights and Obligations of Partners**

##### **Article 12. Rights and Responsibilities of Partners**

1. General and limited partners possess property rights and personal nonproperty rights foreseen by the agreement on general joint activity, by this law and by other laws of the Lithuanian Republic.

2. Each general partner is entitled to represent the partnership unless foreseen otherwise by the agreement on general joint activity. Limited partners are not entitled to represent the partnership. If a limited partner concludes a deal in the name of the partnership in violation of this requirement, he bears solidary liability together with the general partners with all of his property in relation to obligations incurred as a result of such a deal. General partners authorized to represent the partnership may transfer their powers of representation to another general partner, if this is foreseen by the agreement on general joint activity. A deal concluded in the name of the partnership by one of its members incurs rights and obligations for the partnership only in the event that conclusion of such deals was foreseen by the agreement on general joint activity, or if all general partners unanimously accept such a deal in accordance with an adopted decision. In cases foreseen by the agreement on general joint activity a contracted person who is not a partner may represent the partnership. His powers are established by a notarized agreement.

3. A general partner may manage and dispose of his property that has not been transferred to the partnership until such time that other partners or creditors dispute such action in accordance with procedures established by law in order to ensure satisfaction of future property requirements.

4. Each partner is entitled to demand amendment or supplementation of the agreement on general joint activity.

5. A general and a limited partner are entitled to familiarize themselves with the partnership's bookkeeping balance and the income and expenditure accounts, and to verify their correspondence with primary documents. When their examination reveals that the balance information is inconsistent with the true situation, they are entitled to demand creation of an auditing commission to inspect bookkeeping documents.

6. Every general partner is entitled to resolve, jointly with others, issues pertaining to management of property, its use and disposal, and other issues concerning the partnership's activity. When decisions are made, every general partner is entitled to one vote irrespective of the amount of his share of the right of common ownership. Unless this law or the agreement on general joint activity establishes a different rule, decisions are made by a

simple majority vote. In cases foreseen by this law or the agreement on general joint activity, the right to vote on decisions is also possessed by limited partners. A partner does not have the right to vote on a decision concerning his exclusion or departure from the partnership.

7. A general partner has the right to file a suit in court concerning liquidation of the partnership if other general partners ignore satisfaction of obligations foreseen by the agreement on general joint activity or if they are incapable of fulfilling them. A limited partner may file a suit and ask the court to release him from the partnership on the same grounds. Such suits may be filed and satisfied only upon completion of the fiscal year. When a suit is satisfied, losses suffered by a partner are compensated by those partners who ignored fulfillment of their obligations or were incapable of fulfilling them.

8. General partners do not have the right to conclude deals with a partnership of which they are partners. Limited partners may conclude such deals; however, demands incurred in connection with such deals are satisfied only after the demands of all other creditors of the partnership are satisfied.

##### **Article 13. Prohibition of Similar Commercial Activity at Another Enterprise**

1. A general partner does not have the right to possess, without the consent of all of the partnership's partners, an individual (private) enterprise engaged in a similar form of activity, or to be a partner of another partnership engaged in a similar form of commercial activity.

2. If upon joining a partnership as a general partner a person reveals that he possesses an individual (private) enterprise engaged in the same form of activity, or if that person is a general partner of another partnership engaged in the same form of commercial activity, or if while a member of such a partnership a person acquires an individual (private) enterprise engaged in the same form of commercial activity without its consent, or if a person joins another partnership engaged in the same form of commercial activity, then the partnership is entitled to demand compensation for losses, or recognition of the deals concluded by this partner upon representations by the other partnership to be deals of this partnership, and transfer of the obtained income to the account of this partnership, within three months after establishment of the given violation.

##### **Article 14. Conclusion (Termination) of Membership**

1. Grounds for terminating membership in a partnership are:

- 1) the death of the partner;
- 2) recognition of the partner as being incompetent;
- 3) departure of a partner from the partnership;
- 4) exclusion of a partner from the partnership.

2. A general or limited partner may leave a partnership if as a result of his bankruptcy he is no longer able to participate in the partnership's activity. In other cases a general partner may leave a partnership if no general partner objects to this. The agreement on general joint activity may foresee other conditions for departure from the partnership as well.

3. Within three months' time from the day of receipt of an announcement of departure from the partnership (of apportionment of a share) from a bankrupted partner, the guardian of a person deemed incompetent or an heir of a deceased limited partner, the partnership is obligated to apportion, out of the common property, the share of property belonging to the partner as of the day the announcement is submitted.

4. A person, a guardian of a person deemed incompetent, or an heir of a deceased person desiring to leave the partnership is obligated to inform the rest of the partners, or in cases foreseen in agreements on general joint activity, a representative of the partnership as to his intentions concerning use of his share, while the partnership is obligated to acquaint a person (guardian, heir) wishing to leave the partnership with possible losses resulting from immediate withdrawal of his share, and to communicate the length of time which would permit avoidance of such losses. When the person (guardian, heir) desiring to leave the partnership consents to receiving his share of the property after expiration of the time period indicated by the partnership, his share of profits pertaining to this time period is credited to him. When the person (guardian, heir) desiring to leave the partnership refuses to accept such a proposal, the losses of the partnership arising in this connection are covered out of the share of the person desiring to leave the partnership.

5. In regard to deals concluded prior to departure of a partner (his recognition as being incompetent, his death) and currently in the process of being carried out, accounts are settled with the person (guardian, heir) who has left the partnership only after such deals are completely carried out. Demands on a former partner (guardian, heir) concerning obligations of the partnership incurred in the period of his membership may be filed within a period of three years after departure or exclusion from the partnership.

6. Accounts must be settled with a partner (guardian, heir) who has departed within not less than four months from the date of receipt of the announcement of departure (apportionment of a share), if another period had not been stipulated.

7. Property is returned to a former partner (guardian, heir):

- 1) when his share is paid in money;
- 2) when his share is apportioned in kind, if the property is divisible.

8. A general or limited partner who maliciously fails to fulfill his obligations may be excluded from the partnership by a decision adopted unanimously by other general partners. In the event that the person being excluded disagrees with this decision, he is entitled to take it to court.

9. A bankrupted general partner may be excluded from a partnership.

10. Property is returned to an excluded member in accordance with the same procedure and within the same time periods as for a partner who leaves the partnership.

#### **Article 15. Rights of Heirs of Deceased Partner**

1. The heirs of a deceased partner have the right to inherit the share of property of the partnership belonging to the deceased partner. Inherited property is transferred to heirs in accordance with the same procedure and within the same time periods as for a person who leaves the partnership.

2. In the event of the death of a general or limited partner, one of his heirs may become a partner, if so foreseen by the agreement on general joint activity. An heir joining a partnership assumes all of the rights and obligations of the deceased. In this case a new agreement on general joint activity is not concluded; the existing agreement is simply amended instead. If the heir of a deceased general partner becomes a limited partner, and the heir of a limited partner becomes a general partner, a new agreement on general joint activity is signed, and the partnership is subject to reregistration.

3. If admission to the partnership as a general partner is refused to the heir of a deceased general partner in writing, the activity of the partnership ceases, and inherited property is transferred to the heir following subtraction of losses associated with the partnership's liquidation.

#### **Section V. Accounting for and Monitoring a Partnership's Activity**

##### **Article 16. Accounting for a Partnership's Activity**

1. A partnership independently determines the procedures by which to account for its activity, which must correspond to legal norms regulating these matters. A partnership is entitled to maintain secrecy of information concerning its commercial activity.

2. Demanding any accounting from a partnership that is not foreseen by laws of the Lithuanian Republic is prohibited.

##### **Article 17. Monitoring a Partnership's Activity**

The activity of a partnership may be inspected—besides by partners—only by financial, court and investigative institutions in cases foreseen by laws of the Lithuanian Republic. If by their actions officials of these institutions violate the rights of the partnership or create obstacles to

its normal activity, and thus inflict losses upon it, the partnership is entitled to demand compensation for such losses from these institutions through court proceedings.

#### Section VI. Cessation of a Partnership's Activity

##### Article 18. Cessation of a Partnership's Activity

###### 1. The activity of a partnership ceases upon:

- 1) expiration of the term of the agreement on general joint activity;
- 2) unanimous adoption of a decision by the partnership's general partners;
- 3) bankruptcy of the partnership;
- 4) adoption of a decision by state organs rescinding the partnership's registration due to violations foreseen by law;
- 5) the court's satisfaction of a suit filed by a local self-managing body concerning cessation of the activity of a partnership, if despite warnings the latter continues to grossly violate laws of the Lithuanian Republic;
- 6) the court's satisfaction of a suit filed by a general partner in accordance with grounds foreseen by Part 7, Article 12 of this law;
- 7) the death of a general partner, unless foreseen otherwise by the agreement on general joint activity. In the event of the death of a limited partner, the activity of the partnership does not cease;
- 8) presence of other grounds foreseen by the agreement on general joint activity.

###### 2. Cessation of a partnership's activity is subject to registration.

##### Article 19. Liquidation of a Partnership

1. The procedures for liquidating a partnership are regulated by this and other laws of the Lithuanian Republic, as well as by the agreement on general joint activity.

2. When a partnership is liquidated in connection with expiration of its agreement on general joint activity or adoption of a decision to cease activity by the partners, they are entitled to themselves appoint the liquidators from among the general partners. In other cases of liquidation, the liquidators are appointed by the court.

3. When liquidators are appointed, the partnership acquires the status of an enterprise undergoing liquidation. Representatives of the partnership lose all of their powers, and their functions are taken over by the liquidators.

##### Article 20. Rights and Obligations of Liquidators

1. Liquidators embarking upon or concluding liquidation are obligated to draw up a bookkeeping balance of the partnership.
2. The liquidators conclude the current commercial activity of the partnership, establish the names of its creditors and debtors, sell by auction all property remaining after fulfillment of obligations when necessary, and satisfy the demands of creditors.

##### Article 21. Division of the Property of a Partnership Undergoing Liquidation

1. After obligations of the partnership are settled with creditors, the remaining property is divided by the liquidators among the partners. Accounts are settled first with limited partners. Limited partners who had deposited their entire investment are returned its full amount. The remaining property is divided by the liquidators among general partners and limited partners who had not deposited the entire investment foreseen by the agreement, in proportion to the amount of their share. Losses of the partnership are distributed among its general partners in proportion to the amount of their shares, and among limited partners in proportion to the amount of their investment they had not deposited.
2. In the event that disputed obligations are revealed in the course of liquidation, the corresponding amount required for their satisfaction is subtracted from the total property and deposited in the account of a notary.
3. When disputes arise between partners in regard to division of property remaining after satisfaction of the demands of creditors, the liquidators halt division of the property. Mutual disputes of partners of a partnership undergoing liquidation and their disputes with liquidators are examined in court.
4. After satisfaction of the property demands of creditors, the former partners may agree to different conditions of division of the remaining property under the supervision of the liquidators.

5. General partners draw up the act of the partnership's liquidation and register it jointly with the liquidators.

6. The partnership's liquidation documents are transferred for storage to a self-managing body, which stores them for 10 years. Former partners and their heirs are entitled to acquaint themselves with stored documents and to receive copies of them.

*[signed] Chairman of the Supreme Soviet of the Lithuanian Republic V. Landsbergis, Vilnius, 16 October 1990*

#### Decree on Law's Implementation

914A0337B Vilnius EKHO LITVY in Russian  
13 Nov 90 p 2

[Decree of the Supreme Soviet of the Lithuanian Republic on the Procedures for Enacting the Law of the

**Lithuanian Republic on Partnerships and the Procedures of Reregistering Other Types of Enterprises]**

[Text] The Supreme Soviet of the Lithuanian Republic resolves:

1. To establish that the Law of the Lithuanian Republic on Partnerships is to be enacted as of 22 October 1990.
2. To obligate all cooperative and other private enterprises, with the exception of agricultural enterprises, to reorganize their activity in accordance with the Law of the Lithuanian Republic on Enterprises and other laws based on it regulating the activities of enterprises, and to reregister them prior to 1 January 1991.

In order to hasten reregistration of existing enterprises, reregistration of an existing enterprise without submission of an ecological passport-permit is permitted. The ecological passport-permit of such an enterprise must be submitted to the enterprise register manager not later than three months from the moment of the enterprise's reregistration.

Activity by cooperatives and other private enterprises that do not reregister within the established time is prohibited, and it incurs liability in accordance with the Law of the Lithuanian Republic on Enterprises. Registration or reregistration of leased and other enterprises not foreseen by the Law of the Lithuanian Republic on Enterprises is prohibited.

3. To exempt members of cooperatives liquidated (reorganized) in connection with their reorganization into joint-stock companies, partnerships or individual (private) enterprises from payment of one-time income tax and dues.

4. To establish that state cooperatives, joint-stock and leasing enterprises that had been created with the use (leasing) of state property must be reregistered in accordance with rules set forth by the Law of the Lithuanian Republic on State Enterprises. When private capital is present at enterprises indicated in this paragraph, they may be reorganized with regard for the amount of private capital in the state enterprises, state joint-stock companies, joint-stock companies or partnerships. If the amount of private capital is such that an enterprise need not be reorganized into a state or state joint-stock enterprise (if the private capital exceeds the amount of used (leased) state capital), the enterprise reregisters as a joint-stock company or partnership. In such a case, agreements to lease implements of production signed between state enterprises, institutions and organizations and cooperatives remain in force after their reregistration as partnerships and joint-stock companies, unless foreseen otherwise by laws regulating privatization. The private capital at these enterprises includes investments by workers or partners, unpaid wages and bonuses, and assets equal to the above invested in production (including working capital) or deposited in reserve funds (risk funds), as well as that part of production and social development funds which has been accumulated during

the period in which state property was leased. Private capital does not include that part of the production and social development fund belonging to the state (local self-managing body) established with an interest rate of 3 percent per annum to cover the residual cost of leased property (including borrowed working capital).

Prior to adoption of laws regulating privatization, state enterprises, state joint-stock companies, joint-stock companies and closed joint-stock companies are prohibited from purchasing state capital or changing the status of enterprises created in accordance with the procedure established in this paragraph in view of other reasons.

5. To establish that a state enterprise and a state joint-stock enterprise are entitled to lease free space for a partnership or other private enterprise (cooperative) only with the founder's permission.

6. To explain that when an agreement to create a partnership or a joint-stock company is notarized, tax may not be collected for notarization in accordance with the amount of the charter capital or investments of the enterprise indicated in the agreement. These agreements are taxed as agreements not subject to appraisal.

*[signed] Chairman of the Supreme Soviet of the Lithuanian Republic V. Landsbergis, Vilnius, 16 October 1990*

**Text of Moldovan Law on Enterprise Taxation**

914A0311A Kishinev SOVETSKAYA MOLDOVA  
in Russian 23 Oct 90 pp 2, 4

[Draft Law of the Moldovan Soviet Socialist Republic "On Taxes on Enterprises, Associations, and Organizations"]

[Text] The profit tax and other payments are the basic source of financing national economic expenditures and meeting the socioeconomic needs of workers in the Moldovan SSR. In accordance with the republic's legislation taxes and other payments are uniform, but they can be differentiated.

Taxes and other payments are intended to stimulate an increase in production efficiency, entrepreneurial activity, and the process of denationalization of the economy.

In accordance with this law enterprises, associations, and organizations pay the following taxes: the profit tax, turnover tax, export and import tax, income tax on production cooperatives, consumption fund tax, and tax on income.

**Chapter I. Profit Tax**

**Article 1. Taxpayers**

The following are payers of the profit tax:

- a) enterprises, associations, and organizations on cost accounting, which have independent balance sheets and are legal entities (except for the Moldovan Republic

Bank of the USSR State Bank), including joint enterprises of Soviet legal entities and foreign legal entities and citizens established in Moldovan SSR territory, international associations engaged in economic activity and located in Moldovan SSR territory, and affiliates of joint enterprises established in the territory of other countries and republics with the participation of republic enterprises, associations, and organizations;

b) organizations not on cost accounting, but receiving income from economic and other commercial activities, except for budget organizations;

c) international nongovernment organizations (associations) engaged in economic and other commercial activities. Payers of the profit tax indicated in this point subsequently are called "enterprises."

#### **Article 2. Calculation of Taxable Profit**

2.1. The taxable profit is calculated on the basis of the balance profit, which represents the total profit from sales of products (jobs and services), other physical assets, and income from nonsales operations reduced by the total expenditures on these operations.

Profit from sales of products (jobs and services) is defined as the difference between the proceeds from sales of products (jobs and services) in current prices without the turnover tax and the expenditures on their production and sales included in production costs of products (jobs and services).

Income (expenditures) from nonsales operations includes the following: income received from share participation in joint enterprises and from leasing out property, dividends on stocks, bonds, and other securities belonging to the enterprise, and other income (expenditures) from operations not directly connected with the production of products (jobs and services) and their sales, including sums received and paid in the form of economic sanctions and compensation for damages.

Amounts paid into the budget in the form of sanctions in accordance with the legislation in effect from the profit left at the enterprise's disposal are excluded from expenditures on nonsales operations during taxation.

2.2. For purposes of calculating the taxable profit, the balance profit is increased (reduced) by the amount of excess (reduction) of expenditures on the wages of enterprise personnel engaged in basic activity in the structure of production costs of sold products (jobs and services), as compared with their normed amount determined in accordance with the procedure provided for in Article 3 of this law.

The indicated increase (decrease) in the balance profit during the calculation of the taxable profit is not carried out for joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens, if the share of the foreign partner in the statutory fund exceeds 30 percent,

for international nongovernment organizations (associations), and for international associations engaged in economic activity.

The balance profit is also reduced by the amount of rent payments (made in accordance with the established procedure from profit), by the amount of dividends received from stocks, bonds, and other securities belonging to the enterprise, and by the amount of income received from share participation in joint enterprises.

2.3. During the calculation of the taxable profit the balance profit of commercial banks, including cooperative banks, and of joint enterprises with the participation of Soviet legal entities and foreign legal entities and citizens is reduced by the amount of deductions into the reserve fund, or funds similar in purpose, of such enterprises until these funds reach the amounts established by legislation, but no more than 25 percent of the statutory fund.

2.4. With respect to organizations not on cost accounting and not receiving income from economic and other commercial activities, except for budget organizations, the tax is imposed on the amounts of excess of income over expenditures received from this activity.

2.5. The profit (excess of income over expenditures) received both in and outside of Moldovan SSR territory is taxed in accordance with the procedure provided for by this chapter.

#### **Article 3. Outlays on Production and Sales of Products (Jobs and Services) Included in Their Production Costs**

3.1. When profit is determined, production costs include material outlays, depreciation allowances for a full replacement of fixed productive capital, wage expenditures, and deductions for social state insurance;

mandatory medical insurance deductions, compulsory property insurance payments, payments of interest on short-term bank credits, except for interest on overdue and deferred loans and loans received for making up for the shortage of internal circulating capital, and other outlays on the production and sales of products, including expenditures on all types of repairs of fixed productive capital. When, in accordance with Moldovan SSR legislation, enterprises establish the repair fund, outlays include deductions into this fund.

3.2. Material outlays include outlays on raw and basic materials (minus the cost of returnable waste), purchased goods and semifinished products, auxiliary materials, fuel, and power; outlays connected with the use of natural raw materials (deductions for covering outlays on geological survey and prospecting of minerals; outlays on land recultivation; payment collected for allocated standing timber; payment for water drawn by industrial enterprises from water management systems within the established limits); expenditures on jobs and services of a production nature performed by enterprises and organizations.



3.3. Depreciation allowances for a full replacement of fixed productive capital, including an accelerated depreciation of its active part, are made in accordance with the legislation in effect. Joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens make depreciation deductions for a full replacement on the basis of the norms and in accordance with the procedure established for Soviet enterprises, unless otherwise stipulated by the founding documents of the joint enterprise.

3.4. Wage expenditures include wage payments calculated on the basis of piece rates, wage rates, and salaries established depending on the results of labor and its quantity and quality, incentive and compensation payments of systems for the award of bonuses to workers, managers, specialists, and other employees for production results, and other wage terms in accordance with the wage forms and systems applied at enterprises. Sovkhoz, kolkhoz, and other agricultural enterprises also include payments based on annual work results determined in accordance with the established procedure.

The procedure of determining the normed amount of expenditures on the wages of enterprise personnel engaged in basic activity accepted for the computation of the taxable profit is annually established by the Moldovan SSR Supreme Soviet by representation of the Moldovan SSR Government.

Production costs of products (jobs and services) do not include the following payments in monetary and physical forms: material assistance; remunerations based on annual work results; payment for leaves additionally granted in accordance with the decision of the labor collective (in excess of those provided for by legislation) to workers, including women bringing up children; pension increments; lump-sum grants to labor veterans retiring on pensions; income (dividends) paid from stocks of the labor collective and from investments of members of the labor collective in enterprise property; other payments made from the profit left at the enterprise's disposal and from special sources.

#### Article 4. Tax Rates

4.1. Profit within the profitability determined for individual sectors in accordance with the established procedure is taxed at the rate of 48 percent.

4.2. In case profitability exceeds the maximum level, the profit corresponding to this excess is taxed at the following rates:

- 80 percent—when the maximum level is exceeded by up to 10 points inclusive;
- 90 percent—when the maximum level is exceeded by over 10 points.

The maximum profitability level taken into account during the application of profit tax rates is doubled with respect to the average sectorial profitability level.

#### Article 5. Tax Rates for Individual Payers and Procedure of Entering the Tax Into the Budget

For individual payers the following profit tax rates are established:

a) for state specialized banks and insurance organizations—55 percent; commercial banks, including cooperative banks—60 percent;

b) for joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens:

—30 percent, if the share of the foreign section exceeds 30 percent;

—at the rate stipulated by point 4.1 of Article 4 of this law, if the share of the foreign section in the statutory fund makes up 30 percent and less.

When the joint enterprise is liquidated, the unutilized amount of its reserve fund is subject to taxation at the rate established for this enterprise;

c) for consumer societies, their unions, and enterprises, associations, and organizations of consumer cooperatives united by Moldavpotrebsoyuz [Moldovan Union of Consumer Societies] (except for banks)—35 percent;

d) for public organizations and their enterprises, associations, and organizations, as well as religious organizations and their enterprises—35 percent.

#### Article 6. Tax Rates for Kolkhoz, Sovkhoz, and Other Agricultural Enterprises

To establish the following tax rates for kolkhoz, sovkhoz, and other agricultural enterprises and organizations:

- a) 15 percent of the profit received from the production of plant and livestock products;
- b) 30 percent of the profit received from other types of activities.

#### Article 7. Taxation of Income of Production Cooperatives

The income of production cooperatives is taxed at rates in accordance with the procedure established by the Moldovan SSR law dated 1 September 1989: "On the Approval of the Ukase by the Presidium of the Moldovan SSR 'On Income Tax on Cooperatives.'"

#### Article 8. Tax Privileges

8.1. The taxable profit calculated in accordance with Article 2 of this law is reduced by:

a) the amount totaling 30 percent of the outlays by enterprises (except for capital investments) on the performance of scientific research and experimental design operations and on the preparation and mastering of advanced, new technologies and products (including

machine building products delivered for export for freely convertible currency) financed from the profit left at the disposal of enterprises;

b) the amount of profit used for the liquidation of credit granted for financing centralized state capital investments (for the period provided for by the credit agreement) not covered from the profit assigned for accumulation;

c) the amount totaling 30 percent of the outlays connected with the implementation of nature protection measures carried out from the profit left at the disposal of enterprises;

d) the amount of outlays financed from the profit left at the disposal of enterprises in accordance with the norms of outlays established for the maintenance of public health projects, old and disabled people's homes, children's preschool institutions, pioneer camps, cultural and sports facilities, public education institutions, and housing projects, which are on their balance sheets;

e) the amounts of profit paid to republic and local departments of the Soviet Children's Fund imeni V. I. Lenin, the Soviet Peace Fund, the Soviet Cultural Fund, the Soviet Charity and Health Fund, the Fund for Assistance to Children With Deviations in Development imeni L. S. Vygotskiy, voluntary physical culture and sports societies, the Red Cross and Red Crescent societies and Union, the All-Union "Rehabilitation of Disabled Persons" Association, all-Union organizations of internationalist soldiers, and OGONEK funds—Anti-AID and "Chernobyl;" into ecological and health improvement funds and for charitable purposes—as well as those transferred to enterprises, institutions, and organizations of culture, public education, public health, social security, and physical culture and sports—and for the maintenance of family-type children's homes and boarding houses, but no more than 1 percent of the taxable profit determined in accordance with Article 2 of this law;

f) the amount of outlays financed by enterprises (except for agricultural enterprises and consumer cooperatives) from profit for providing assistance to agricultural enterprises in the construction of projects in rural areas and for the purchase of equipment for them, but no more than 1 percent of the taxable profit determined in accordance with Article 2 of this law.

g) the amount totaling 30 percent of the profit of enterprises using the labor of old-age pensioners and disabled persons, if their number makes up no less than 50 percent of the total number, or the amount of 20 percent of the profit, if the number of old-age pensioners and disabled persons makes up from 30 to 50 percent of the total number of workers at the enterprise. The privilege is applied to the following types of enterprises:

- folk art industries;
- specialized enterprises of local industry and for domestic services for the public;

- small enterprises (classified with them in accordance with Moldovan SSR legislation);
- joint enterprises established in Moldovan SSR territory with the participation of foreign legal entities and citizens, Soviet public organizations of disabled persons and pensioners, and their institutions, industrial training enterprises, and associations.

8.2. Training enterprises and cooperatives are exempt from paying the tax.

8.3. In consumer cooperatives united by Moldavpotrebsoyuz the following are exempt from taxation:

a) the profit of newly organized enterprises (shops) producing consumer goods from local raw materials and waste (including agricultural raw materials procured at purchase prices, except for wine, vodka products, tobacco, tobacco products, and alcohol-containing perfumery and cosmetics), provided the cost of high-grade basic and raw materials used for the production of goods does not exceed 25 percent of the total cost of raw and basic materials during two years from the day of commissioning of these enterprises (shops);

b) the profit of enterprises assigned for the development of the internal material and technical base in rural areas, urban-type settlements, and rayon centers;

c) the profit from sales of fish from the local catch;

d) the profit of kolkhoz markets used for the construction and expansion of their material and technical base in rural areas, development of jurisdictional hotel facilities, civic improvements, and covering of expenditures on the operation of kolkhoz markets.

8.4. With respect to public organizations the following are exempt from the tax:

a) public organizations of disabled persons, their institutions, and industrial training enterprises and associations;

b) republic and local departments and associations of the Soviet Children's Fund imeni V. I. Lenin, the Soviet Peace Fund, the Soviet Cultural Fund, the Soviet Charity and Health Fund, the Fund for Assistance to Children With Deviations in Development imeni L. S. Vygotskiy, the All-Union "Rehabilitation of Disabled Persons" Association, all-Union organizations of internationalist soldiers, and their enterprises and organizations, on the profit assigned into these funds and to the association for carrying out their statutory activity;

c) the Red Cross and the Red Crescent societies and Union, the Moldovan "Chernobyl" Society, and their enterprises and organizations, on the profit assigned to the Union and societies for carrying out their statutory activity;

d) the profit of cost-accounting enterprises of creative unions assigned by them to the indicated union for carrying out their statutory activity;

e) the Republic Society of Inventors and Efficiency Experts and its organizations, on the profit assigned to the society for carrying out its statutory activity;

f) the profit of enterprises established by youth organizations, higher and secondary specialized educational institutions, and secondary vocational-technical colleges and schools, which is assigned by them for improving students' social and everyday conditions.

8.5. Joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens, if the share of the foreign partner in the statutory fund exceeds 30 percent.

a) Joint enterprises in the sphere of material production are exempt from paying the profit tax during the first two years from the moment they receive the balance profit, with the exception of enterprises engaged in the extraction of minerals. If the joint enterprise is liquidated before the expiration of the tax exemption period, the tax amount is computed in the full volume for the entire period of its activity.

b) The taxable profit is reduced by the amount of profit assigned for production development, for the payment of interest on long-term bank credits, except for interest on overdue and deferred credits, for the performance of scientific research and experimental design operations, and for the implementation of nature protection measures.

c) Part of the profit received during 5 years after the disclosure (on the basis of the balance sheet) of losses and assigned for covering them is exempt, if the resources of the reserve fund are insufficient.

8.6. With respect to production cooperatives (except for kolkhozes):

a) cooperatives (association of cooperatives) of war and labor veterans established under their councils of war and labor veterans, in which no less than 70 percent of the persons reaching the pension age (pensioners) work, are fully exempt from paying the tax.

b) Cooperatives for the production and processing of agricultural products, construction and building repair cooperatives, and cooperatives for the production of building materials are fully exempt from paying the tax during the first two years of their operation.

c) Cooperatives engaged in the procurement and processing of waste and secondary raw materials and in other types of activities (except for commodity purchase activities) during the first year after their formation pay the tax totaling 25 percent of the tax rate approved for the corresponding type of cooperative and during the second year, 50 percent.

d) If the cooperative's activity is terminated before the expiration of a 3-year period, the tax amount is computed in the full volume established for this type of cooperative during the entire period of its activity.

e) Privileges provided for in subpoint "b" of this point are not granted to cooperatives established on the basis of liquidated enterprises or to their structural subdivisions, nor to cooperatives established under enterprises, associations, and organizations provided they operate on equipment leased from these enterprises.

8.7. For the purpose of stimulating the production of products (jobs and services) necessary for the population and the national economy and lowering their prices (rates), executive committees of local soviets of people's deputies, on whose territory cooperatives are registered, can lower the tax rates for a period of up to 1 year.

8.8. With respect to small enterprises classified with such in accordance with the legislation in effect:

a) The profit assigned for the construction, reconstruction, and renewal of fixed capital, mastering of new equipment and technology, and training of and improvement in the skills of personnel is exempt from tax payment.

b) Small enterprises for the production and processing of agricultural products and for the production of consumer goods, construction and building repair enterprises, enterprises for the production of building materials, and small introduction enterprises are exempt from paying the profit tax during the first two years of operation.

c) Concerning other types of activities during the first year of operation small enterprises pay the profit tax totaling 25 percent and during the second year, 50 percent of the profit tax rates established for them. Privileges indicated in subpoints "b" and "c" are not extended to small enterprises established on the basis of liquidated (reorganized) enterprises, their affiliates, structural subdivisions, and cooperatives.

If the activity of a small enterprise is terminated before the expiration of a three-year period, the tax amount is computed in the full volume for the entire period of its activity.

8.9. Leasing enterprises formed on the basis of state enterprises and their structural subdivisions reduce the tax amount computed at rates in accordance with Articles 4 and 5 of this law by the amount of the rent minus the depreciation allowances forming part of it.

#### **Article 9. Procedure of Refining Profit Tax Rates and the Structure of Tax Privileges**

Profit tax rates, as well as the structure of tax privileges provided for by this law, and the procedure of granting them can be refined by the Moldovan SSR Supreme Soviet during the approval of the budget for the forthcoming year.

**Article 10. Procedure of Tax Computation and Dates of Tax Payment**

10.1. The tax amount is determined by payers independently on the basis of the amount of taxable profit with due regard for the granted privileges and tax rates.

10.2. During the quarter all payers (with the exception of those enumerated in subpoints 10.3 and 10.4 of this article) make advance tax payments into the budget totaling the actual tax amount paid into the budget during the corresponding period of the preceding year. Advance tax payments into the budget are made no later than on the 15th and 28th day of every month in equal shares totaling one-sixth of the quarterly amount of the profit tax.

On the application of the payer, who has a negligible amount of the profit tax, the tax body at the payer's location can set one date of payment into the budget—20th of every month—totaling one-third of the tax amount.

At the end of the first quarter, six months, nine months, and one year the payer computes in a running total from the beginning of the year the tax amount on the basis of the profit subject to taxation actually received by him.

10.3. Consumer societies, their unions, and enterprises, associations, and organizations of consumer cooperatives united by Moldavpotrebsoyuz, cooperative and public enterprises, kolkhozes, sovkhozes, and other agricultural enterprises determine the tax quarterly in a running total from the beginning of the year, taking into account the amounts of the tax computed for preceding quarters.

10.4. During the year the joint enterprise established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens during the year makes quarterly advance payments of the profit tax into the budget totaling one-fourth of the annual amount of payments no later than on the 15th day of the last month of every quarter. The advance amount of the profit tax for the current year is determined by the enterprise with due regard for the financial plan for the current year.

The tax on profit actually received during the past calendar year is computed by the enterprise no later than on 15 March of the year following the year under review on the basis of the statement of account (balance sheet).

10.5. The tax is paid in quarterly installments during a five-day period from the day set for the submission of statements of accounts (balance sheets) and in annual installments within a 10-day period from the day set for the submission of the annual statement of account (balance sheet).

Payment authorizations for the transfer of the profit tax into the budget are handed in by payers to the bank institution before the beginning of the date of payment.

Joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens pay the profit tax by book entry in rubles or in foreign currency purchased by banks in accordance with the established procedure.

10.6. Excessively paid tax amounts are applied toward next payments, or are returned to the payer within a five-day period from the day his written application is received.

10.7. Taxpayers submit to tax bodies at their location statements of accounts and balance sheets in accordance with the procedure and on the dates set by legislation and computations of the amounts of the profit tax on approved forms. Joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens submit annual statements of accounts and balance sheets by 15 March of the year following the year under review.

**Article 11.** To let the Moldovan SSR Government to establish additional profit tax privileges for individual payers within the amount of the tax entered into the republic budget and executive committees of local soviets of people's deputies, within the amount of the tax entered into local budgets.

**Chapter II. Tax on the Profit of Foreign Legal Entities From Activity in the Moldovan SSR****Article 12. Taxpayers**

Companies and associations, as well as any other organizations recognized as legal entities according to the legislation of the foreign state of their permanent residence, which engage in economic activity in Moldovan SSR territory through the permanent delegation, are payers of the tax on the profit of foreign legal entities.

By the permanent delegation of a foreign legal entity in the Moldovan SSR, for purposes of taxation, is meant a bureau, office, agency, or any other place of performance of activity (connected with the exploitation of natural resources and execution of work on construction, mounting, installation, assembly, adjustment, and servicing of equipment and other similar work stipulated by contracts), as well as organizations and citizens representing a foreign legal entity in Moldovan SSR territory.

For purposes of taxation the income of private companies is considered the income of owners of these companies and is subject to taxation in accordance with the Moldovan SSR law: "On Income Tax on Moldovan SSR Citizens, Foreign Citizens, and Persons Without Citizenship."

A foreign legal entity engages in economic activity in the Moldovan SSR through the permanent delegation, provided it is registered in the tax body at the location of the permanent delegation.

Nonregistration of a foreign legal entity engaged in activity in the Moldovan SSR through the permanent delegation is considered concealment of income subject to taxation.

Registration of the beginning or end of activity by a foreign legal entity in the Moldovan SSR should be carried out during the month following the beginning of activity, or during the month before its termination.

#### Article 13. Object of Taxation

Profit received by a foreign legal entity engaged in activity through the permanent delegation in Moldovan SSR territory is the object of taxation.

In case a direct determination of the profit received by a foreign legal entity in connection with its activity in the Moldovan SSR does not seem possible, in agreement with the State Tax Inspectorate of the Moldovan SSR Ministry of Finance the determination of profit on the basis of gross income or incurred expenditures at a profitability norm of 15 percent is permitted.

Foreign legal entities, which receive payment in the form of products or property as compensation for activity carried out in the Moldovan SSR through the permanent delegation, pay the tax on profit, for the determination of the amount of which contract prices, prices of basic Soviet exporting organizations, or prices calculated on the basis of world prices of the same or similar products or property are used.

#### Article 14. Tax Rate

The profit of a foreign legal entity from the performance of activity in the Moldovan SSR is subject to taxation at the rate of 30 percent.

#### Article 15. Tax Privileges

A foreign legal entity engaged in activity in the Moldovan SSR enjoys tax privileges granted to joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens with respect to the part of profit assigned for the implementation of nature protection measures in Moldovan SSR territory and for charitable purposes.

#### Article 16. Procedure of Tax Computation and Dates of Tax Payment

16.1. The tax amount is determined on the basis of the amount of taxable profit with due regard for the granting of privileges in accordance with Article 14 of this law and the tax rate.

The tax on the profit of foreign legal entities is computed annually by a tax body at the location of the permanent delegation.

16.2. A foreign legal entity engaged in activity in the Moldovan SSR submits a report on activity in the Moldovan SSR, as well as a declaration on the established form, to the tax body no later than 15 April of the year following the year under review.

If activity is terminated before the end of the calendar year, the indicated documents should be submitted during the month from the day of its termination.

The declaration on the income of a foreign legal entity engaged in activity in the Moldovan SSR is subject to an annual audit for a charge by a cost-accounting auditing organization.

16.3. For the amount of the computed tax the payer is given a payment notice on the established form. The tax is paid on the dates indicated in the payment notice by written order in rubles or in foreign currency purchased by banks in accordance with the established procedure.

### Chapter III. Turnover Tax

#### Article 17. Taxpayers

Enterprises, associations, and organizations (including production cooperatives, as well as joint enterprises with the participation of Soviet legal entities and foreign legal entities and citizens and their affiliates) producing and selling goods (products), on which the turnover tax is imposed, are payers of the turnover tax.

#### Article 18. Tax Rates and Entering the Tax Into the Budget

Turnover tax rates are established in percent of the taxable turnover (including the turnover at contract prices), or in firm amounts per unit of commodity (products).

On goods (products), for which retail (wholesale prices of industry) and wholesale prices of enterprises are set, the tax is computed in the form of the difference between these prices with due regard for rebates to trade and producers' wholesale supply agencies (transport expenditures).

The terms of introduction and rates of the turnover tax on the republic list of goods are established by the Moldovan SSR Ministry of Finance.

#### Article 19. Tax Privileges

19.1. The following are exempt from paying the turnover tax:

a) during two years from the day of commissioning:

enterprises producing goods from local raw materials and waste (except for vodka, wine and vodka products, beer, tobacco, tobacco products, plastic goods, and alcohol-containing perfumery and cosmetics), provided the cost of high-grade basic and raw materials used for the production of goods does not exceed 25 percent of the total cost of basic and raw materials;

folk art industry enterprises, on the sale of art products produced by them;

b) enterprises of societies for the blind and industrial training enterprises for the blind, if the share of persons



with limited work fitness makes up no less than 50 percent of the total number of workers at these enterprises;

c) kolkhozes, sovkhozes, and other agricultural enterprises, on the sale of products produced from local and internally produced raw materials, except for plastic goods, dressed fur skins, furs, jewelry, and wine and vodka products;

d) enterprises and economic organizations of the Soviet Children's Fund imeni V. I. Lenin, the Soviet Peace Fund, the Soviet Cultural Fund, the Soviet Charity and Health Fund, the Red Cross and Red Crescent societies and Union, and the All-Union "Rehabilitation of Disabled Persons" Association, on goods and products produced in accordance with the specialization of their activity;

e) enterprises and economic organizations of creative unions within the amounts of the turnover tax assigned by these unions for the implementation of their statutory activity;

f) cooperatives (associations of cooperatives) of war and labor veterans under councils of war and labor veterans, in which no less than 70 percent of the persons reaching the pension age (pensioners) work and which produce goods from local raw materials and waste;

g) training enterprises and training cooperatives, on sales of products produced by them.

19.2. Enterprises ensuring an increase in consumer goods production, as well as an increment in the turnover tax as compared with the preceding year, have the right to leave at their disposal, on the basis of annual work results, 30 percent of the increment in the turnover tax and to assign these funds for purposes of production and social development. The increase in consumer goods production is determined in retail prices.

19.3. If the resources of the accumulation fund are insufficient, enterprises can assign up to 50 percent of the amounts of the turnover tax received from sales of additionally produced goods, as a result of the implementation of credited measures, for the liquidation of the bank credit issued for an increase in the production, improvement in the quality, and expansion of the assortment of consumer goods.

19.4. Additional turnover tax privileges for individual payers can be established by the Moldovan SSR Government.

#### Chapter IV. Export and Import Tax

##### Article 20. Taxpayers

All the organizations enumerated in Article 1 of this law and engaged in trade operations outside of the Moldovan SSR pay the export and import tax.

##### Article 21. Tax Computation Procedure

The export and import tax represents a form of withdrawal into state revenues of the net income formed as a result of the differences in levels of prices of individual goods imported to or exported from Moldovan SSR territory.

The export and import tax is computed:

a) at rates in percent of the foreign trade (contract) cost of goods indicated by the owner (manager) of goods subject to taxation in the customs declaration when they are transferred outside of the Moldovan SSR;

b) in the form of the difference between foreign trade prices and internal Moldovan SSR prices of individual exported or imported goods minus overheads connected with the execution of a foreign trade transaction.

The list of such goods, the structure of overheads, rates, and the procedure and dates of payment of the export and import tax, as well as tax privileges, are established by the Moldovan SSR Council of Ministers.

#### Chapter V. Tax Regulating the Expenditure of Funds Assigned for Consumption

##### Article 22. Taxpayers

Enterprises, associations, and organizations (except for kolkhozes, agricultural cooperatives, foreign legal entities, international nongovernment organizations [associations], and international associations engaged in the economic activity of joint enterprises established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens), if the share of the foreign partner in the statutory fund exceeds 30 percent, are taxpayers.

##### Article 23. Object of Taxation

The amount of excess of the funds assigned for consumption, as compared with the nontaxable amount of these funds, is the object of taxation.

##### Article 24. Structure of Funds Assigned for Consumption

Funds assigned for consumption include the following:

a) the amount of expenditures on wages of the entire enterprise personnel;

b) monetary payments, including remuneration based on annual work results, funds assigned for other types of incentives for labor in monetary and physical forms, material assistance for the establishment of labor and social privileges, and other payments of an individual nature, except for payments of authors' honorariums and remunerations for discoveries, inventions, and rationalization proposals;

c) income (dividends) paid from stocks of the labor collective and investments of members of the labor collective in enterprise property.

**Article 25. Nontaxable Amount of Funds Assigned for Consumption**

The nontaxable amount of funds assigned for consumption is determined by multiplying the amount of cost-accounting income of the current period computed in accordance with Article 26 of this law by the share of these funds in cost-accounting income during the corresponding period of the preceding year.

The obtained magnitude is corrected by a coefficient ensuring an outstripping growth of cost-accounting income as compared with the increase in funds assigned for consumption. The coefficient value is established at the level of 0.98.

Enterprises, which on the basis of annual results allowed an excess of funds assigned for consumption, as compared with their nontaxable amount, and paid the tax, compensate for the amount of the tax from the funds assigned for consumption during the following year.

The amount of savings of funds assigned for consumption, as compared with the nontaxable amount of these funds, can be entered into the reserve fund and be used by the enterprise for consumption during subsequent periods without imposition of the regulating tax. At the same time, the indicated savings are taken into account during the determination of the share of funds assigned for consumption in the current period.

**Article 26. Cost-Accounting Income Taken for the Regulation of Funds Assigned for Consumption**

The cost-accounting income of enterprises taken for the regulation of funds assigned for consumption is calculated as the total expenditures on wages in the structure of production costs of sold products (jobs and services) and of the profit left at the enterprise's disposal.

Cost-accounting income is determined in prices and under terms comparable with the preceding year.

In case the change in the production structure connected with the execution of operations and deliveries for state needs leads to a reduction in the indicated income, its amount increases respectively.

**Article 27. Tax Rates**

Tax rates are established by the Moldovan SSR Supreme Soviet during the approval of the republic budget for the forthcoming year.

**Article 28. Tax Privileges**

The tax is not imposed on the following:

a) the increment in funds assigned for consumption at newly commissioned enterprises (projects) during the normative period of mastering of planned technical and economic indicators and during the first year of operation after the expiration of this period;

b) the increment in funds assigned for consumption in connection with the implementation of centralized measures to raise the people's standard of living, including the introduction of new wage terms and elimination of the consequences of emergency situations;

c) wage funds at enterprises applying the labor of disabled persons and persons with limited work fitness, if their number exceeds 50 percent of the total number of those employed at the enterprise;

d) payments for providing assistance to families of people who died on the job, monetary compensations in excess of the established pensions, and payments to persons who received injuries or contracted occupational diseases on the job.

The Moldovan SSR Government can establish additional tax privileges for individual payers.

**Chapter VI. Taxes on Income**

**Article 29. Taxation on Income Received by Enterprises and Organizations From Stocks, Bonds, and Other Securities Belonging to Them and From Share Participation in Joint Enterprises**

29.1. Income received by enterprises, associations, and organizations, with the exception of that provided for in Article 30 of this law, from stocks, bonds, and other securities belonging to them, as well as the income of the Soviet partner received from share participation in joint enterprises, is subject to taxation at the rate of 15 percent.

29.2. The income of foreign partners formed as a result of the distribution of the profit of joint enterprises, when transferred abroad, is subject to taxation at the rate of 15 percent, unless otherwise established by Moldovan SSR international treaties on tax matters.

When income is transferred abroad, the tax amount is paid in transferable currency.

29.3. Taxes indicated in subpoints 29.1 and 29.2 of this article are collected from the source. The enterprise paying out the income, as well as the foreign partner in the joint enterprise, bears the responsibility for withholding and transferring taxes into the budget.

29.4. Dividends received from state bonds and other state securities are exempt from taxation.

29.5. The foreign partner in the joint enterprise established in Moldovan SSR territory with the participation of Soviet legal entities and foreign legal entities and citizens, which in accordance with the international treaty with the Moldovan SSR have the right to a full or partial exemption from taxation on income due him in the form of profit distribution, submits an application for a reduction or abolition of the tax in accordance with the procedure established by the Moldovan SSR Ministry of Finance.

In case the application is submitted after the transfer of income abroad, it should be presented during the year from the day of transfer. Applications submitted after the expiration of the year are not accepted for consideration.

Income received in Moldovan SSR territory and in the economic zone of the Moldovan SSR is taxed in accordance with the procedure provided for by this article.

#### **Article 30. Tax on Income of Foreign Legal Entities Not Connected With Activity in the Moldovan SSR**

30.1. Foreign legal entities receiving income not connected with activity in the Moldovan SSR pay taxes on income from dividends, interest, copyrights and licenses, freight charges, and leasing payments and on other income, whose source is in the Moldovan SSR and which is not connected with the implementation of activity in the Moldovan SSR through the permanent delegation, at rates established in point 30.2 of this article, unless otherwise established by the Moldovan SSR International Treaty on Tax Matters.

30.2. The rate of the tax on the indicated income, except for income from freight charges, is established at the rate of 20 percent.

The amount of income from freight charges paid to foreign legal entities in connection with the execution of international transport operations is taxed at the rate of six percent.

30.3. Income in the form of interest on credits granted by banks to the Moldovan SSR Government is exempt from income taxation.

30.4. The foreign legal entity, which in accordance with the Moldovan SSR International Treaty has the right to a full or partial exemption from income tax from sources in the Moldovan SSR, submits an application for a reduction or abolition of the tax to the Moldovan SSR Ministry of Finance.

In case the application is submitted after the transfer of income abroad, it should be presented during the year from the day of transfer. Applications submitted after the expiration of the year are not accepted for examination.

30.5. Tax on the income of foreign legal entities from sources in the Moldovan SSR is withheld by the enterprise or organization paying income to a foreign legal entity in transferable currency from the full amount of income during every transfer of payment.

#### **Article 31. Tax on Income From Casinos, Video-Salons (Video-Shows), Operation of Game Machines, and Holding of Mass Concert and Entertainment Activities**

31.1. Income received from casinos, video-salons (video-shows), and the operation of game machines with monetary prizes, as well as from holding mass concert and entertainment activities on open sites, in stadiums, in

palaces of sports, and on other premises, where the number of seats exceeds 2,000, is subject to taxation at the rate of 70 percent. For purposes of taxation, material expenditures connected with the receipt of this income are deducted from the proceeds received.

31.2. The tax amount is distributed in accordance with the procedure provided for by subpoints 4.2. of Article 4 of this law.

### **Chapter VII. Special Provisions**

#### **Article 32. Characteristics of Taxation on Foreign Legal Entities**

If the Moldovan SSR International Treaty establishes other rules than those contained in this law, the rules of the international treaty are applied.

Provisions of this law do not affect the tax privileges established by the general norms of international law and by special agreements with other states.

The collection of taxes on the income of foreign legal entities can be terminated or limited on the basis of the principle of reciprocity in cases when in the corresponding foreign state the same measures are implemented with respect to Soviet legal entities as applied to the same or similar taxes, which should be confirmed by the tax bodies of this state.

During the conclusion of commercial transactions with foreign firms the inclusion of tax clauses in the contract, in accordance with which the income-paying enterprise, institution, or organization assumes the obligation to incur expenditures on paying the tax on the profit (income) of foreign legal entities, is not permitted.

#### **Article 33. Elimination of Double Taxation**

The amount of the profit or income received abroad is included in the total amount of profit or income subject to taxation in the Moldovan SSR and is taken into account during the determination of the tax amount.

The amount of taxes on profit or income received outside of Moldovan SSR territory, which is paid by enterprises, associations, and organizations abroad in accordance with the legislation of foreign states, is taken into account when they pay taxes on profit or income in the Moldovan SSR. At the same time, the amount taken into account cannot exceed the amount of the profit (income) tax subject to payment in the Moldovan SSR with respect to the profit (income) received abroad.

#### **Article 34. Entering Taxes Into the Budget**

The amounts of taxes established by this law are entered into the corresponding budgets in accordance with the USSR Moldovan Law "On the Budget."

### Chapter VIII. Payer's Responsibility

The payer bears responsibility for a correct tax computation and prompt payment in accordance with the procedure provided for by Moldovan SSR legislation.

#### Article 35. Instruction on the Application of This Law

The instruction on the application of this law is issued by the Moldovan SSR Ministry of Finance.

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The following prepared the Moldovan SSR Draft Law "On Taxes on Enterprises, Associations, and Organizations": A. K. Gavrilenco, Moldovan SSR deputy minister of finance; G. I. Isopesku, chief of the State Tax Inspectorate of the Moldovan SSR Ministry of Finance; V. S. Kitsan, chief of the Administration of Territorial Finance of the Moldovan SSR Ministry of Finance; I. N. Perzhu, deputy chief of the State Tax Inspectorate of the Moldovan SSR Ministry of Finance.

We ask that all interested enterprises, organizations, and institutions, as well as individuals, express their proposals and remarks, introduce alternative versions of this draft, and send them to the following address: Kishinev, Marya Adunare Natsionale Square No 1, offices 463, 465, 466, Commission on Economic and Budget Problems of the Moldovan SSR Supreme Soviet, telephones 23-37-56, 23-30-12, 23-46-73, and 23-22-92.

#### Moldovan SSR Draft Law on Employment

914A0353A Kishinev SOVETSKAYA MOLDOVA  
in Russian 14 Nov 90 p 3

[Draft law: "On Employment of the Population in the Moldovan SSR"]

[Text] As a sovereign state, the Moldovan SSR shall be fully empowered to develop and implement the policy of employment for its population.

The state policy of the Moldovan SSR in the field of employing its population shall proceed on the basis of this republic's vitally important socioeconomic interests and shall be keyed on the efficient and optimal utilization of the available labor resources as well as on their potential in toto.

The present law shall specify the economic, organizational, and legal guarantees granted by the state with respect to implementing the citizens' constitutional rights to work, including the right to freely choose a job under the conditions of a market-type economic system and the equality of differing forms of property ownership.

#### Section 1. Basic Positions

##### Article 1. The Essence of Employment of the Population

The state shall ensure the employment of the Moldovan SSR's citizens, thereby applying an active socioeconomic

policy keyed on implementing the rights of human beings to earn the means of existence by their labor, i.e., by work which they shall freely choose or to which they shall voluntarily give consent.

This policy is directed at the following:

- a) providing work for all those who are prepared to proceed to a job and who are seeking work;
- b) guaranteeing the maximally efficient work;
- c) ensuring freedom of choice of employment and the opportunity of occupational training or retraining.

##### Article 2. Fundamental Principles of the State Policy on Employing the Population in the Moldovan SSR

The state policy of the Moldovan SSR on employing the population in the Moldovan SSR shall be based on the following principles:

- guaranteeing equal opportunities for all able-bodied citizens in the implementation of their constitutional right to work;
- granting social guarantees in the area of employment of the population and guaranteeing that citizens are protected against unemployment;
- carrying out special measures to assist in the employment of those citizens who encounter difficulties in job placement;
- coordinating activity in the field of employment of the population with other lines of socioeconomic policy;
- broad-based participation by trade unions and associations of entrepreneurs in developing, implementing, and monitoring the execution of measures with regard to ensuring the employment of the population in coordination with the state administrative organs;
- interrepublic and international coordination in solving problems related to employment of the population.

#### Section 2. Employment of the Population in the Moldovan SSR

##### Article 3. Types of Employment of the Population

Employment of the population shall assume the socially useful activity of the citizens, activity which shall bring them income and not be in contradiction with the laws and normative acts of this republic.

In the Moldovan SSR the following types of employment of the population shall be provided for:

- a) labor under conditions of fulltime or parttime employment at enterprises having all kinds of property ownership;
- b) labor of citizens at mixed enterprises operating in the Moldovan SSR as well as at foreign firms and companies;

- c) labor in an individually owned (private) business;
- d) individual labor activity;
- e) labor on a private, subsidiary farm;
- f) child care, caring for patients, invalids, and aged citizens;
- g) vocational or occupational training, retraining, or training for a new occupation;
- h) full-time instruction in general-educational schools, secondary specialized, and higher educational institutions, as well as other kinds of full-time instruction;
- i) military service.

#### **Article 4. Unemployed Persons**

Persons shall be deemed as unemployed who are able-bodied, registered at a state employment service, and, who, for reasons beyond their own control, have not been placed in jobs, who have no other legitimate sources of income, and who consent to engage in economic activity or training for a new occupation.

The procedure for registering citizens as unemployed persons, as well as the conditions for paying them the appropriate benefits, shall be specified by the Statute on Paying Social Benefits for Unemployment, as approved by the government of the Moldovan SSR.

#### **Article 5. State Guarantees of Job Placement**

The Moldovan SSR shall guarantee the following to its citizens:

- a) the freedom to choose the type of employment in accordance with one's vocation, capabilities, and occupational training;
- b) voluntary nature of the work;
- c) free services in matters of vocational guidance, occupational training, and retraining;
- d) free middleman-type services in choosing suitable employment and in connection with job placement;
- e) job placement of persons needing social protection or who are unable to compete on an equal basis in the labor market;
- f) offering work for a period of at least three years to graduates of educational institutions;
- g) the opportunity to participate in public projects on a paying basis;
- h) reimbursing the fiscal expenditures for persons sent or assigned to other, i.e., out-of-town, populated centers;
- i) paying unemployment benefits in accordance with the established procedure;

- j) including the period of instruction, participation in public projects, as well as receiving temporary unemployment benefits, in the total length of labor service.

#### **Section 3. Rights of Citizens of the Moldovan SSR To Be Provided with Work**

##### **Article 6. Freely Chosen Employment**

Citizens of the Moldovan SSR shall enjoy the exclusive right to dispose of their own capacities for highly productive and creative work. They shall have the right to freely choose the type of employment, occupation, or profession, as well as the place and nature of the work, provided that it does not contradict or conflict with the law.

Forcing persons to labor on the part of the administration in any form is prohibited with the exception of cases provided for by the legislation of the Moldovan SSR.

##### **Article 7. The Right of Citizens to Job Placement**

Citizens of the Moldovan SSR shall enjoy the right to job placement free of charge. They shall choose the place and nature of work through the state employment service in accordance with their own capabilities, occupational training, and inclinations.

The decision as to a person being hired for a job shall be taken under the conditions of an individual agreement or contract between the entrepreneur, i.e., the employer, and the citizen being hired.

The procedure and the conditions for concluding labor agreements or contracts shall be regulated by the labor legislation of the Moldovan SSR.

#### **Section 8. The Right of Citizens to Consultation and Advice Regarding Occupations, To Obtain Appropriate Information from the State Job Placement Service for the Purpose of Choosing a Type of Employment, Occupation, and Place of Work**

Citizens of the Moldovan SSR shall enjoy free of charge consultations and advice with regard to occupations, obtaining skills and retraining, as well as appropriate information in the state job placement service.

##### **Article 9. The Right of Citizens To Engage in Occupational Activity Abroad**

Every citizen of the Moldovan SSR shall have the right to engage in temporary occupational activity abroad; this shall be implemented through the state job placement service.

##### **Article 10. The Right of Citizens to Protection Against Unemployment**

Citizens of the Moldovan SSR shall have the right to be protected from unemployment. Persons deemed to be unemployed in accordance with the established procedure shall have the right to receive unemployment benefits.



**Article 11. The Right to Appeal Illegal Actions of the State Job Placement Service**

Citizens shall have the right to appeal illegal actions of the state job placement service to the higher-ranking organ, as well as to a court in accordance with the procedure established by the legislation of the Moldovan SSR.

**Section 4. Regulation of Employment in the Moldovan SSR**

**Article 12. Measures To Facilitate Employment of the Population**

The state policy on employment of the population in the Moldovan SSR shall be implemented by economic, organizational, and legal measures.

The economic measures provide for a financial-credit, investment, and tax policy aimed at optimizing the processes which are taking place in the labor market.

The organizational measures provide for the establishment of a republic-level state employment service for the population, as well as the creation of its material, personnel, information, and financial base. These measures also provide for improving its structure and developing programs for employing the population.

The legal measures are designed to guarantee the socio-legal protection of the population engaged in independent labor activity within the limits of the norms provided for by the legislation of the Moldovan SSR.

**Article 13. Participation of Enterprises in Implementing the State Policy on Employment**

The enterprises, institutions, and organizations (hereinafter all to be designated as "enterprises") operating on the territory of the Moldovan SSR, regardless of the forms of their property ownership, shall facilitate the implementation of the state policy on employment by means of the following:

- observing the conditions provided for in individual labor agreements or contracts;
- organizing vocational training, as well as upgrading the skills of citizens employed in this field, and even retraining them for new occupations;
- mandatory deductions to be contributed to the State Fund for Vocational Guidance and Rendering Assistance to Unemployed Persons.

**Article 14. Obligations of Enterprises with Regard to Providing Employment for the Population**

In their own direct activity, the enterprises situated on the territory of the Moldovan SSR shall be obligated to do the following:

- a) submit in a timely manner and in full to the state employment service data on the availability of freed-up

jobs (vacant positions), along with information as to all citizens who have been released, hired, or fired from their jobs;

- b) take measures to upgrade the effectiveness of utilizing labor resources, to create special work places amounting to at least two percent of the total population for the job placement of persons who need social protection. In case this requirement is not carried out, the State Employment Service shall levy from the enterprises concerned a fine amounting to the average annual wages of the enterprise's staff members for each uncreated work place or job. The money thus levied shall be channeled into the fund for vocational guidance and for rendering assistance to unemployed persons;

- c) ensure the hiring by local soviets of a certain number of persons who enjoy additional or supplementary guarantees on the part of the state, provided that the enterprise in question has the corresponding number of vacancies for the vocational training of the above-indicated persons. Enterprises which refuse to carry out the requirements provided for by the present article shall bear responsibility in accordance with the procedure set forth in the existing legislation.

**Article 15. Organization of the State Employment Service**

In order to implement the policy of employing the population and ensuring citizens of guarantees to labor, a State Employment Service (labor exchange) shall be established in the Moldovan SSR. It shall consist of a republic-level department and local employment centers.

The republic-level State Employment Service shall operate under the direct supervision of the Moldovan SSR Ministry for Labor and Social Protection, whereas the city- and rayon-level administrations shall operate accordingly under the supervision of the republic-level department in close cooperation with the organs of local self-government.

The services to be rendered by the labor exchange shall be free of charge.

The activity of the State Employment Service shall be financed by money from the State Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons, as provided for this purpose.

**Article 16. The State Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons**

A State Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons shall be set up within the framework of the State Employment Service. And it shall be assigned the purpose of financing measures connected with rendering assistance to unemployed persons, organizations, and conducting work with regard to vocational guidance, vocational instruction and retraining persons for new jobs, as well as middleman services in job placement, with paying out

unemployment benefits, and implementing other measures provided for by the state program for employing the population.

Serving as sources for forming the fund for providing employment for the population shall be deductions contributed to social insurance, voluntary citizens' social insurance, allocations from local budgets, and voluntary dues. The monetary assets of the Employment Fund shall not be included within the State Budget, but rather accumulated in the account of the Commercial Bank for the Reproduction of Labor Resources of the Moldovan SSR Ministry for Labor and Social Protection.

The procedure for forming and utilizing the Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons shall be specified by the Statute on the Fund for Unemployed Persons, as approved by the government of the Moldovan SSR.

Monitoring the procedure for utilizing the Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons shall be performed by the appropriate organs of the Tax Inspectorate of the Moldovan SSR Ministry of Finance.

#### **Article 17. Organization of Public Projects**

In conjunction with the employment administrations, the organs of self-government shall organize public projects on a paying basis in various sectors of the economy for persons who are experiencing difficulties in seeking out and finding permanent work.

The hiring of citizens for public projects shall be conducted in a voluntary procedure and on the basis of concluding individual labor agreements or contracts.

The financing of public projects shall be conducted at the expense of the local budget and the Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons.

Payment for the labor of citizens employed on public projects shall be carried out in accordance with the quantity and quality, the amount of work actually performed.

Social guarantees shall be extended to such projects, including the right to pension insurance and the payment of benefits for a temporary incapacity for work. The procedure for organizing, paying for, and terminating public projects shall be regulated by the appropriate Statute, as approved by the government of the Moldovan SSR.

#### **Article 18. Vocational Training and Retraining of Unemployed Persons**

Citizens who have registered according to the established procedure as unemployed persons and who lack the opportunity of being placed in a permanent, paying job shall be obliged to undergo retraining or training for another field of specialization.

The retraining or re-instruction of unemployed citizens shall be conducted on the basis of a state order submitted to the Moldovan SSR Ministry of Science and Education by the republic-level Department of Employment.

During the period of vocational or occupational training citizens shall be paid stipends which cannot be lower than the minimum wage established by legislation of the Moldovan SSR. Expenditures for financing vocational training and retraining shall be carried on the account of the appropriate part of the Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons.

### **Section 5. Social Guarantees and Compensations**

#### **Article 19. Types of Compensations**

Citizens who have lost their jobs shall be granted the following types of compensation:

- retaining for the period of job placement, but not for more than three months, the average monthly wage, including the monthly benefits, taking into account the continuous or uninterrupted period of labor service by the persons being released in connection with the reorganization or elimination of enterprises, institutions, organizations, reducing the number of employees or staff, as well as in connection with the cancellation of a labor agreement or contract;
- retaining the continuous or uninterrupted period of labor service and paying out stipends during the period of vocational training or retraining (within the framework of an agreement with the State Employment Department);
- retaining the continuous or uninterrupted period of labor service and paying out remuneration for work on public projects for pay;
- paying out unemployment benefits in accordance with the established procedure;
- rendering material aid to an unemployed person and the members of his family, taking into account the presence in the family of dependent aged persons and minors;
- compensations in accordance with the established procedure of material, i.e., financial, expenses connected with being sent or assigned to work in another locality.

#### **Article 20. Conditions for Paying Out Unemployment Benefits**

Unemployment benefits shall be paid out to able-bodied citizens ranging from the age of 16 to the point at which they have a right to a pension—citizens, moreover, who have been deemed unemployed in accordance with the established procedure and who have registered at the State Employment Service. Under certain specific conditions, such a right shall also be enjoyed by citizens who are entering the job market for the first time or who are renewing their labor activity after a lengthy break (more than one year).

Unemployment benefits shall be paid out beginning from the second day after the expiration of the time period set for seeking work, right up to the job placement of the citizen, but for no more than 26 calendar weeks (for persons of pre-pension age—the maximum is 36 weeks).

The procedure for paying out unemployment benefits shall be specified by the Statute for Paying Out Social Compensations, as approved by the government of the Moldovan SSR.

Unemployment benefits shall not be subject to taxation.

#### **Article 21. Amounts of Unemployment Benefits**

All citizens receiving unemployment benefits in the Moldovan SSR shall be guaranteed compensation in the amount of the minimum wage as established by legislation for this republic's national economy. The compensations of persons who have unemployment insurance shall be increased by 50 percent. Unemployment benefits shall be subject to indexing in accordance with the established procedure depending upon the cost of living.

#### **Article 22. Stopping Payments of Unemployment Benefits**

Paying out unemployment benefits shall be stopped in the following cases:

- job placement in a paying job, obtaining permission to conduct economic activity on a free-enterprise basis;
- beginning work on public projects;
- passing courses to upgrade skills or retraining for a new occupation;
- leaving the country for a permanent place of residence abroad;
- preliminary imprisonment or the imposition of a punishment in the form of incarceration;
- fulfillment of one's military duty.

Paying out unemployment benefits shall be stopped for a period of up to three months in the following cases:

- an unjustified refusal to accept two jobs suggested by the labor exchange; also turning down two analogous suggestions after completing vocational instruction (or retraining for a new occupation);
- job placement in temporary work without informing the appropriate organs of the labor exchange;
- cancellation or abrogation of a labor agreement caused by a violation of labor discipline or in accordance with the employee's own wishes;
- when, in accordance with the existing procedure, a citizen is issued a final severance benefit and other payments upon being dismissed from his job at an enterprise.

#### **Article 23. Suitable Work**

Work shall be deemed suitable which corresponds to the employee's vocational training, prior occupational activity, and if it is offered in the same locality; wages and other working conditions should correspond to the average level of the occupation (field of specialization) in question.

Upon the expiration of the initial period of unemployment (26 calendar weeks) work may be deemed suitable which requires a change of occupation (field of specialization) within the framework of the same occupational group, taking into account the capabilities of the citizen involved, his strengths, accumulated experience, and the accessibility of transportation to the job being offered.

#### **Article 24. Material Assistance**

Material assistance shall be rendered to an unemployed person, as well as to his dependent family members, in accordance with the conditions to be specified in the Statute on paying out social compensations by means of funds from the republic-level (or local) budget.

### **Section 6. Legal and Organizational Guarantees of Legislation Concerning Employment**

#### **Article 25. Legal Protection of Legislation Concerning Employment of the Population**

Employment relations of the population in the Moldovan SSR shall be regulated by the Moldovan SSR Constitution, the Declaration of the Moldovan SSR's sovereignty, the present law and the legislative acts to be published in accordance with it, the Conventions of the International Labor Organization (ILO) on matters of employment and unemployment, as well as by agreements between states, drawn up with consideration being given to this republic's socioeconomic interests.

In order to implement the Law on Employment of the Population, we are working out and adopting normative acts on immigration and emigration, on forming a State Fund for Vocational Guidance and for Rendering Assistance to Unemployed Persons, organizing a State Service for Utilizing Labor Resources, on setting up a National Center for Vocational Guidance, retraining and reintegrating citizens into the labor process, organizing a Commercial Bank for the reproduction of labor resources, paying out benefits for temporary unemployment, and organizing public projects for unemployed persons.

#### **Article 26. Responsibility for Violating Employment Legislation**

The legislation of the Moldovan SSR shall establish disciplinary, administrative, and criminal responsibility for violating the employment legislation.

Monitoring the execution of the employment legislation shall be carried out by the Soviets of People's Deputies, the appropriate state organs, as well as by the trade unions.

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**The draft law: "On Employment of the Population in the Moldovan SSR" has been prepared by the following persons:**

**T.S. Basarabyanu—Moldovan SSR first deputy minister of labor and social protection, A.S. Kantemir—economic adviser of the Moldovan SSR Ministry of Labor and Social Protection, A.Z. Onofrey—consultant of the Moldovan SSR Ministry of Labor and Social Protection, P.P. Posteuke—chief of the Employment Department.**

**We request the collectives of all interested enterprises, organizations, and institutions, as well as individuals, to state their own suggestions, proposals, and remarks, to introduce alternative variants with regard to the present draft, and to send them to the following address: City of Kishinev, No 1 Mariya Aduner Nationale, Commission for Health Care and Social Security, Moldovan SSR Supreme Soviet, Telephone 23-77-53.**

#### **Tajik SSR Gosplan Chairman on Republic's 1991 Economy**

*914A0331A Dushanbe KOMMUNIST  
TADZHIKISTANA in Russian 14 Dec 90 pp 1, 3*

[Speech by T.N. Nazarov, first deputy chairman of Tajik SSR Council of Ministers and chairman of Tajik SSR Gosplan: "The State Plan and Forecasts for the Functioning of the Tajik SSR Economy for 1991"]

[Text] Dear Comrade Deputies!

The republic Council of Ministers is submitting a draft state plan and operational forecast of the Tajik SSR economy for 1991 for your consideration.

The developmental proportions and rates of Tajikistan in 1991 had to be planned at a time of socioeconomic difficulties, rising inflation throughout the country, and the disruption of relations which had been established over the years between republics and various individual regions for supplies of crude resources, semimanufactured products, equipment, and fuel.

When the republic's potential for development in the coming year was being assessed, the proposals of all enterprises and organizations were taken into account, as well as the present level of production potential use. When we have to describe the economic and social development of the republic in the past year, we have to say that the measures we took were somewhat successful in stabilizing the republic economy in spite of these great difficulties.

During the past year national income rose by 1.9 percent and industrial production increased by 0.3 percent in

comparison with the preceding year. Commitments for the production of consumer goods were fulfilled, and the output of these goods was increased by 4.6 percent in comparison with the figure for January-November of last year.

During the first 11 months of the past year, around 80,000 tons of livestock and poultry and almost 264,000 tons of milk were purchased in the public agricultural sector. The increase in purchases in comparison with the same period of last year was five percent for eggs, 15 percent for fruit, and 7 percent for grapes. Procurements of raw cotton have been virtually completed. Around 841,500 tons of this valuable resource have been collected.

Our achievements, however, have been modest at best. Shortages in the consumer market are more acute. In spite of the previously mentioned increase in the output of goods, the rate of this increase is not keeping up with the increase of almost 10 percent in the monetary income of the population.

A tense situation is taking shape in the agroindustrial complex. According to the preliminary estimates of the republic State Committee for Statistics, the planned level of production will not be reached this year for grain, cotton fiber, potatoes, vegetables, melons, fruit, milk, and eggs. There has been a decrease in the numbers of all types of livestock and poultry and in their productivity in the public sector, and the plan for winter supplies of fodder for the public herd is not being fulfilled. This is less a matter of bad weather than of the lack of personal responsibility for the fulfillment of contractual commitments and of economic destabilization.

All of this is having a serious effect on the consumer market. It is no secret that it has been extremely difficult recently to supply the population with consumer goods, and not only in our republic, but throughout the country. Furthermore, all of this is occurring at a time of a slight slump in production. Although industry in Tajikistan kept up with production assignments for many items in the past year and the previous year, the people are still experiencing an acute shortage of daily necessities.

On the one hand, the population is hoarding large and unnecessary supplies and, on the other, speculators and other dishonest elements are taking advantage of the current difficulties. Of course, there have also been interruptions in the work of several enterprises in connection with the shortage of crude resources and materials, the underdelivery of goods, etc.

Commodity turnover in state and retail trade is 14 percent higher than in January-November of last year. This rate of increase has never been recorded in our statistics. Part of the increase, approximately 30 percent, is due to higher prices, but 70 percent is covered by actual goods, and this is equivalent to 250 million rubles.

The population's demand for television sets, refrigerators, sewing machines, washing machines, and furniture is not being satisfied adequately. This has also been due to the tendency to keep commodities in trade warehouses. Unsatisfactory material and technical supply operations have had a negative effect on the fulfillment of this year's programs. During the period in question the republic failed to receive 18,000 tons of rolled ferrous metals, 1,800 tons of gas pipe, 42,000 tons of cement, almost 220,000 cubic meters of commercial wood and timber, and large quantities of other resources from suppliers. This affected the fulfillment of contractual commitments for the production of power transformers, refrigerators, furniture, and building materials. There have been disruptions in the schedules for the construction of residential buildings, schools, pre-school establishments, hospitals, out-patient clinics, and other social facilities.

The financial status of national economic branches could not be called satisfactory today. Although planned profit indicators as a whole were reached from January to September, the absolute amount was six percent below that of last year. At a time of preparations for the transition to market relations, this approach to the compilation of profit plans by enterprises could seriously complicate the functioning of the national economic complex in the republic.

Comrade deputies! Most of the work entailed in the transition to the market will have to be completed in 1991. Some of the existing structures, however, will be maintained temporarily during this period of national economic development. New elements will be introduced when the preparations for them have been completed.

In accordance with the: "Basic Guidelines for the Stabilization of the National Economy and the Transition to Market Relations," the republic must institute a broad group of measures to create a new economic environment.

First of all, the process of the denationalization of the economy will begin in 1991 and will take several years.

Second, the perestroika of financial and credit policy will focus on the reduction of budget funds, especially funds from the union budget, and on the extensive use of enterprise funds and credit resources.

Third, the investment complex will be functioning on new terms. The denationalization of enterprises and the perestroika of the budget and credit system will make radical changes in the process of the formation of investment resources. Investment indicators on the republic level will be based largely on forecasts.

Fourth, plans call for the extensive development of horizontal ties with other sovereign republics on the basis of agreements concluded on the governmental level for economic, scientific, and cultural cooperation. This cooperation will be based on the principles of equivalent

and mutually beneficial exchange, with an emphasis on the efficient use of crude minerals and other resources.

In accordance with the declaration of the state sovereignty of the Tajik SSR, the main development indicators for 1991 were set with a view to securing economic autonomy in the interest of republic workers. Priority was assigned to the comprehensive resolution of social problems and the elevation of the standard of living of people with an acute need for social protection.

The changes in relations with the center will produce something new in principle in comparison with past years: the minimization of the number of indicators set for the republic by union organs.

When the draft plan was being compiled on the republic level, the set of indicators was designed not to impede the transition to market relations, and you will be approving only a limited group of assignments.

This will give the local soviets of oblasts, cities, and rayons, which are fully responsible for the effective development of their territories, a chance to take autonomous action in their economic activity.

Plans for 1991 call for the extensive use of all effective forms of labor organization and the elevation of scientific and technical standards: 65 sections, shops, and enterprises will be mechanized and automated, 30 mechanized and automated lines will begin operating, and more than 1,900 pieces of new equipment, machines, and other units will be installed. Furthermore, enterprises in light industry will be using imported sets of equipment for the production of clothing, footwear, and hosiery.

In food production, mechanized lines will be installed for the production of bakery and confectionery goods, juices, canned goods, and ice cream and for the expanded production of the Pepsi-Cola and Fiesta beverages and other items.

In agriculture, virus-free (ecologically clean) plants will be used in orchards, vineyards, and potato fields. Biological methods of combating pests are to be used more widely.

Micro-GES's of from 5 to 50 kilowatts and self-contained wind power units of up to 100 kilowatts will be used to improve the rural power supply. Solar power plants will continue to be developed and used for technological purposes and to heat water.

Besides this, 268 million rubles will be allocated from the union budget for the continuation of the construction of the Rogunskaya GES and the Pamir-1 station.

In 1991 plans call for the allocation of 23.4 million rubles from the state budget for scientific research and experimental design projects, or 2.4 million more than in the past year.



Scientific and technical cooperatives, centers for the scientific and technical creativity of youth, economically accountable centers, and creative teams will be established in the coming year by the republic Union of Scientific and Engineering Societies.

The transition to the market economy will exacerbate the problem of employment. The problem is that workers are being freed in connection with the liquidation of unprofitable production units and other factors, and this problem can only be solved by the further expansion of the public employment sphere.

The construction of 29 small enterprises and subsidiaries of the ministries of light industry and local industry is planned for 1991, and these should create 10,700 new jobs. Employment should also be increased in some other branches of physical production and the social sphere, and a further increase will be secured by encouraging broader entrepreneurial activity, cooperative agricultural enterprises, and the continued development of industrial combines and cooperative work crews, and by creating the necessary conditions for the effective use of individual labor.

Judging by the current level of development in the production and social infrastructure, three-fourths of the increase in labor resources in 1991 will be employed in branches of the national economy. The rest of the increase, amounting to around 13,000 people, will be occupied in housework and child care.

Besides this, the implementation of several of the government's laws pertaining to the improvement of pension security for workers and the granting of leaves to women to care for their children until their third birthday will aid in alleviating the tension in the labor market.

In addition, a state employment service will be established, and a state employment assistance fund will be created for the financial support of people who are temporarily jobless.

While I am discussing public employment, I want to stress the need to solve the problem of personnel training, especially through the system of vocational and technical education. Calculations indicate that admissions to vocational and technical institutes should number at least 25,000, but only 21,000 applications have been received from enterprises and organizations.

Economic managers should reconsider their views on this matter. They are trying to save a few rubles on the training of personnel, but a shortage of skilled manpower could cost them millions today or tomorrow.

The draft plan envisages a sweeping program of social construction. Its completion will depend largely on how competently local soviets exercise their right to direct the development and construction of facilities in this sphere.

In 1991 around 1.952 million square meters of living area, or 32,500 apartments and detached dwellings, should be built with funds from all sources of financing.

According to calculations, the average living area per republic inhabitant will be 9.3 square meters in 1991, in comparison with 9.2 this year.

Work in the public utilities sector in the coming year will include the completion of the second stage of the sewer system and the renovation and enlargement of the main pumping stations in Leninabad, the Kayrakkum-Gafurov collecting main, the second stage of sewage treatment facilities in Kulyab, and the boiler house in Murgab. Work will continue on the construction of the water supply network in Dangara, the water pipes in Khovaling, the water main in Vose, the group supply network in Khodzheritskiy and Matchinskiy rayons, the boiler house in Kayrakkum, water supply facilities in Khorog and Rushan, the sewer system in Dzhirgatal, and low-pressure gaslines in Kurgan-Tyube, Kulyab, and other regions.

The further development of the material base of public education, culture, and health care has been planned. New pre-school establishments for 9,700 children and general educational schools for 43,300 students will be opened in the republic with funding from all sources.

Kindergartens and nurseries for will be available for 17.4 percent of all the children of pre-school age.

In 1991 work will continue on the construction of the second section of the Tajik State University imeni Lenin, the academic building of the School of Construction at the Tajik Polytechnical Institute in Dushanbe, and the second stage of the pedagogical institute in Leninabad. The construction work on the children's home in Tanobchi in Sovetskiy Rayon will be completed.

Cultural centers and clubs with 4,500 seats, hospitals with almost 2,000 beds, and out-patient clinics for 2,800 visits a day will be opened in 1991.

The construction work on a general hospital with a polyclinic and quarantine ward in Dushanbe, maternity homes in Ganchi and Zafarobod, and out-patient clinics in Dangara and Vakhsh will be continued in the coming year. A general hospital will be opened in Yavan and a hospital with an out-patient clinic will be opened in Dzhlilikul. New construction projects will include an oncology center in Dushanbe, an oncological clinic in Leninabad, and a quarantine ward and cardiological building in the oblast hospital in Khorog.

In 1991 there will be 107.8 hospital beds and facilities for 109.7 visits to out-patient clinics for every 10,000 inhabitants.

In 1991 the construction of municipal service facilities will be complicated by the transition to market relations, because material and technical supply operations throughout the country will be based on contracts

directly with suppliers. Only a third of the total volume of construction and installation work will be backed up by centralized resources.

The Government of the USSR is now considering the possibility of allocating material and technical resources to the Tajik SSR for the republic program for the construction of housing, utilities, schools, pre-school establishments, hospitals, and out-patient clinics.

According to the estimates of enterprises in the republic economy, the draft plan for 1991 will envisage around 21 million rubles in capital investments in the improvement of ecological conditions in the republic.

According to the plan, sewage treatment facilities with a total capacity of more than 120,000 cubic meters a day will be started up, and this will accommodate an additional 11 million cubic meters of sewage each year.

Steps will be taken for the reclamation of 12.7 hectares of damaged land, protective forest strips will be planted on an area of 1,400 hectares, and hydraulic anti-erosion and shore stabilization systems will be installed at a total cost of 6 million rubles.

The consumption of water from the basins of the Syrdarya and Amudarya rivers will be reduced by increasing the amount of recycled water by almost 37 percent and by taking other measures.

According to forecasts, the quantity of pollutants emitted into the atmosphere by stationary sources will decrease by 4,200 tons.

In addition, in 1991 the State Agroindustrial Committee plans to use biological methods of protecting agricultural crops from pests and diseases on an area of 250,000 hectares, and this should improve air quality considerably in the republic's rural areas.

Comrades! Because of the critical situation in the consumer market, the forecast for 1991 was compiled with a view to securing the further growth of the output of consumer goods by establishing tax and other privileges and incentives for enterprises producing these goods, by opening small enterprises for their production, and by transferring some enterprises to lease or joint-stock operations.

As a result, we discovered ways of increasing the output of consumer goods (excluding hard liquor and beer) in 1991 by 3.334 billion rubles, with a rise of 5.2 percent above the 1990 level.

The production of the main non-food items should display the following rates of increase in comparison to 1990 in natural terms: 2.1 percent for cotton fabric, 1.8 percent for silk fabric, 12 percent for woolen fabric, 5.8 percent for rugs and carpeting, 5.5 percent for hosiery, 5.8 percent for sewn items, 3.2 percent for enamel cookware, etc.

The work on the construction of the weaving and spinning factory of the Kayrakkum Rug Association will be continued in 1991, and work will begin on the construction of a weaving factory in Kanibadam and the renovation of the trimming and sizing factory of the Dushanbe Cotton Fabric Production Association. The renovation of Weaving Factory No. 3 will be continued, with the completion of the first stage of 196 looms and a dyeing and finishing factory in the Leninabad Silk Combine, and the construction of the sewing factory in Vorukh in Isfarinskiy Rayon will be completed.

Besides this, small enterprises and subsidiaries for the production of sewn garments, knitwear, and footwear will be opened in modular structures and adapted buildings in small towns and rural communities, particularly in Kulyab and Kurgan-Tyube oblasts.

In light industry, work will be continued on the construction of the fur plant in Isfara and the renovation of the sewing shop in Gissar. The construction of the Lazzat Production Association in Dushanbe, a cotton fabric production section in Leninabad, and other facilities will begin.

An increase in food production is planned for 1991. Existing production potential and projected resources could secure the following increases in output in comparison with the plan for the current year: 3.2 percent for vegetable oil, 4.6 percent for confectionery items, and 1.4 percent for flour. Enterprises have accepted assignments equivalent to the 1990 plan for the production of groats, pasta, laundry and facial soap, cigarettes, and some other items.

According to calculations, per capita meat consumption will rise 6.7 percent in 1991, the consumption of dairy products will rise three percent, and egg consumption will rise 1.6 percent. Figures for other foods will also rise. Reaching these levels of consumption will entail the projected increase in our own production as well as larger orders from other union republics and from union supplies and imports. This applies above all to meat, milk, grain, and sugar. The work of concluding agreements on the delivery of these and other foods in 1991 will be continued.

Judging by the projected output of consumer goods and volume of interregional deliveries and imports, retail commodity turnover in state and cooperative trade has been estimated at 4.25 billion rubles, with an increase of 5.5 percent over the 1990 plan.

Bath and laundry combines and public baths in Kurgan-Tyube, Leninabad, Komsomolabad, Dzheirgatal, Khovaling, Rushan, and Murgab and personal service centers in Kanibadam, Chkalovsk, and Gissar will be built for the purpose of increasing the sales volume of public services to 600 million rubles. Furniture and cabinet shops and other facilities will be built in several regions.

Ministries, departments, and local soviets will have to make every effort to speed up the privatization of trade

enterprises and maintain small and processing enterprises in order to secure the projected volume of services and commodity turnover in the coming year.

Under the new economic conditions, the work of labor collectives in the agroindustrial complex will be governed by new laws on land, property, cooperatives, and leases and other legal instruments in 1991.

The new higher purchase prices of agricultural products and the new wholesale prices of processed agricultural products will go into effect on 1 January 1991. The list of products with centrally set prices will be reduced considerably, and contract prices will be used on a broader scale.

The projected output of cotton fiber in 1991 is 260,000 tons, or 10,000 tons less than in this year's plan.

The fiber yield will be 69.4 percent, or 2.2 percent lower than in the current year. Raw cotton production assignments have been lowered in virtually all oblasts and rayons of republic jurisdiction. The available land will be used to grow more food crops and enlarge grain fields.

According to estimates, all projected measures in 1991 will produce the following increases over this year's output: 16.5 percent for grain, 12.7 percent for vegetables, 25 percent for potatoes, 27.6 percent for melons, and 32.4 percent for fruits and berries.

With the annual rate of population growth set at 2.7 percent, production growth of 10.9 percent in livestock and poultry, eight percent in milk, and 6.3 percent in eggs has been planned.

In an attempt to increase the output of animal husbandry products, areas planted to fodder crops will be nine percent, or 21,200 hectares, greater than the planned figure for this year. This will secure an increase of nine percent in the output of coarse and succulent feeds.

The potential for possible production growth in the private farming sector has also been taken into account. This will entail the allocation of additional land for subsidiary plots and the restoration of mountain village communes.

The rate of increase in purchases of agricultural products will be only one-third as high as the rate of production growth.

The proposals of local soviets on ways of lowering the marketability level and increasing the consumption of food products by the rural population were taken into account. The republic government decided not to include purchases from the population in the plan for deliveries of livestock, poultry, and milk. The commitments of the republic Supreme Soviet also arrived at the same decision.

In this way, we are giving rural workers stronger incentives to increase the output of meat on their own

farmsteads and we are reducing the subsidies covering the difference between retail and purchase prices.

Procurements of hides will be put on a more efficient basis to give producers a stronger incentive to maintain and improve product quality.

Purchases of hides from the population and from kolkhozes and sovkhoses will be based on contract prices in 1991. The purchases can be made by any organization or enterprise with the potential to process the hides.

Increasing the production of silkworm cocoons in the republic will be one way of using agricultural potential more effectively, increasing the income of rural workers, and supplying light industry enterprises with raw material. To this end, a decision was made to increase the supply of this raw material to 4,500 tons, which will be an almost 1.2-fold increase over this year's plan indicator.

In 1991 a third of the total amount of wool purchased in the republic, or 1,200 tons, will be sold by the republic itself on the basis of contracts for the first time.

In the processing industry, the volume of contributions to union supplies has been set at 41.5 million standard cans of fruits and vegetables, 75,000 tons of salt, 12 million standard cans of baby food, 3,000 tons of confectionery items, and some other shipments.

The output of bakery goods will increase in line with public demand. Small bakeries will continue to be developed. Capacities in the canning industry will be augmented by 5 million standard cans—2 million in the Gorno-Badakhshan Autonomous Oblast and 3 million in Vakhshskiy Rayon.

Warehouses with storage capacity for 6,000 tons of potatoes, vegetables, and fruit will be opened in 1991. The development of new irrigated lands on an area of 7,000 hectares and the complete reclamation of old irrigated lands on 3,200 hectares will be continued.

Comrade deputies! In 1991 the labor collectives of industrial enterprises will assume commitments for a republic-wide production output valued at 8.4 billion rubles in the wholesale prices in effect on 1 January 1991, displaying an increase of 3.5 percent for the year.

The plan calls for the production of 17.3 billion kilowatt-hours of electricity, 110,000 tons of oil and gas condensate, 104 million cubic meters of gas, and 600,000 tons of coal.

To cover national needs this year, we will be producing 465,000 tons of aluminum, 83,000 tons of nitrogen fertilizers, and 100,000 tons of sodium hydroxide. The production output of machine building and metal working will be 5.5 percent greater than the planned figure for this year, and the output of the metallurgical complex will be 12.8 percent greater. The highest projected rate of growth will be the 24.5-percent increase in

the output of the Pamirkvartssamotsvety Association in the Gorno-Badakhshan Autonomous Oblast.

The work to build up the base of the construction materials and construction industry will be continued in the republic. In all, more than 119 million rubles will be allocated for this purpose in 1991, or 16 percent more than in this year's plan. This will secure the start-up of capacities for the production of 114,000 cubic meters of precast reinforced concrete, 305,000 cubic meters of claydite, 200,000 square meters of wall tiles and 700,000 square meters of stone floor tile for indoor use, and 350,000 cubic meters of non-metallic construction materials.

There are some imbalances in the distribution of construction facilities in the republic. This has impeded the development of the production and social infrastructure in Kulyab Oblast, in the Gorno-Badakhshan Autonomous Oblast, and in southern Tajikistan.

In the production program for 1991, almost 37 percent of the 52 main construction projects will be in these regions of the republic.

In spite of the shortage of construction materials, branch enterprise plans for 1991 envisage the substantial underloading of existing capacities. For example, the workload of capacities for the production of siding will be only 68 percent of the total, and the respective figures for the precast ferroconcrete and paneling capacities of the republic Ministry of Construction will be 75 percent and 70 percent.

The Ministry of Construction, Ministry of Rural Construction, and the ispolkoms of local soviets must conduct a thorough investigation of the current situation with regard to the workload of production capacities and take the necessary measures.

Projected capital investments from all sources of financing in the Tajik SSR are estimated at 3.012 billion rubles for 1991 in the prices in effect on 1 January 1991.

More than 1.66 billion of the total will be invested in production construction, and 1.35 billion will be invested in non-production facilities. Investments in the non-production sphere will rise 22.7 percent.

The financing of state centralized capital investments in the new prices will require budget allocations of at least 1.3 billion rubles, mainly for the production of housing, sociocultural facilities, light industry enterprises, construction industry facilities, and several construction projects in the agroindustrial complex. Around 75 million rubles (124 million in the new prices) will also be allocated from the union budget for earthquake clean-up operations in the republic.

Work will begin in 1991 on the construction of a wide-gage railway from Kurgan-Tyube to Kulyab. This will require the allocation of 20 million rubles in capital investments from the republic budget and centralized material and technical supplies.

In the coming year, 19.5 kilometers of paved highway should be completed. The work on the construction of the Anzobskiy Tunnel and Kulyab-Zigar-Kalaikhum highway will be continued in 1991.

The basic parameters of economic and cultural development in 1991 will be based on intergovernmental agreements. This year the republic concluded an agreement on economic cooperation with all republics but the Ukraine. Interrepublic deliveries will now be based on the principles of equality and mutual advantage. This means that both sides will have to spend more time negotiating delivery contracts. So far, the State Supply Committee, the Ministry of Trade, and other ministries and departments have concluded around 45-50 percent of these agreements, but this is clearly inadequate.

More effective forms and methods of work must be developed so that the agreements concluded between governments will be implemented by the immediate executors.

Comrade deputies! The economic development indicators of oblasts, cities, and rayons in the republic were set with a view to existing Tajik SSR laws on local self-management and economic administration. These laws grant local soviets sweeping powers in decisions on socioeconomic matters and assign them the appropriate economic and financial base.

The responsibility of soviets of people's deputies to the population for the comprehensive development of the territories under their jurisdiction will also be augmented.

During the transition to market relations, the socioeconomic welfare of individual regions will depend on the skillful management of the local economy, the ingenuity of the population, and the efficient operation of enterprises and organizations.

The following program for social development will be carried out with funds from all sources in 1991:

The Gorno-Badakhshan Autonomous Oblast will have new housing with a total area of 64,700 square meters, general educational schools for 3,350 students, and pre-school establishments for 90 children;

Leninabad Oblast will have new housing with a total area of 637,410 square meters, general educational schools for 10,870 students, and pre-school establishments for 4,840 children;

Kurgan-Tyube Oblast will have new housing with a total area of 269,240 square meters, general educational schools for 10,600 students, and pre-school establishments for 1,640 children;

Kulyab Oblast will have new housing with a total area of 206,550 square meters, general educational schools for 4,970 students, and pre-school establishments for 560 children;

The city of Dushanbe will have new housing with a total area of 353,070 square meters, general educational schools for 3,770 students, and pre-school establishments for 1,240 children.

Cities and rayons of republic jurisdiction will undergo the proper development. Plans call for new housing with a total area of 366,700 square meters, general educational schools for 9,720 students, and pre-school establishments for 1,160 children.

When the programs for economic and social development were being compiled, ministries considered around a thousand mandates from voters. Many of them were taken into account in the materials submitted to you.

In conclusion, I would like to express the hope that the people's deputies will support the parameters of republic economic and cultural development. The comments, proposals, and additions suggested during the discussion at this session and at meetings of the committees of the Tajik SSR Supreme Soviet will be summarized and brought to the attention of ministries, departments, enterprises, organizations, and ispolkoms of soviets of people's deputies.

Thank you for your attention.

#### **Uzbek Gosplan Reorganized as Committee on Economy**

914A0362A Tashkent PRAVDA VOSTOKA in Russian  
9 Dec 90 p 1

[Decree of the Uzbek Soviet Socialist Republic president: "On Reorganization of the Uzbek SSR State Planning Committee Into the Uzbek SSR Committee on Economy"]

[Text] In order to formulate the state socioeconomic and scientific and technical policy in the light of the proclaimed Declaration of Sovereignty of the Uzbek SSR [Soviet Socialist Republic]; to work out and implement the direction for the effective use of resources and sources of public production growth; to increase the population's well-being; to ensure a consistent transition from directive-based planning to economic forms of regulating the development of the national economy; and taking into account the growing importance of the creation of modern management and production structures under the conditions of entering the regulated market economy:

1. To create the Uzbek SSR Committee on Economy on the basis of Uzbek SSR State Planning Committee.

2. To charge the Uzbek SSR Committee on Economy with the following functions:

- to develop the forecasts and to determine the parameters of the perspective and current economic and social development of the republic, taking into account its natural and labor resources and its scientific and technical and production potential;

- to formulate the policy and to oversee the implementation of programs in the republic's transition to market relations;
- to prepare the main national-economic, natural-material, financial balances; to prepare all-republic programs directed at resolving major economic, social, and scientific and technical problems;
- to strengthen effective production and economic mutual relations with other republics and regions;
- to perfect the economic mechanism, the means and methods of economic levers in the process of national economic development.

3. Comrade B.S. Khamidov, deputy chairman of the Uzbek SSR Cabinet of Ministers and chief administrator of the entire economic complex, is to ensure that in one month: the Uzbek SSR Committee on Economy is fully staffed with highly qualified specialists and is operating effectively; draft regulations on the Uzbek SSR Committee on Economy and its sublevel organizations are prepared and presented for confirmation by the Uzbek SSR Cabinet of Ministers.

[Signed] I. Karimov, president of the Uzbek Soviet Socialist Republic [Dated] Tashkent, 8 December 1990

#### **Kazakhstan's First Commodities Exchange Opens**

914A0346A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 14 Dec 90 p 1

[Article by correspondent V. Mogilnitskiy: "The First Commodities Exchange"]

[Text] Karaganda—The republic's first commodities exchange is open in Karaganda. Its founders were 13 major enterprises and organizations of Central Kazakhstan. Among them are the "Karagandaugol" Association, the Karaganda factory of heating equipment, the Balkhash metallurgical plant, the "Dzhekazgantsvetmet" scientific production association, the board of Karaganda main supply administration, and others.

Why was there a need to create such an exchange? L.G. Shikunova, member of the organizational committee and head of the general department of material resources of the board of Karaganda main supply administration explains:

"Economic and management ties are breaking and traditional relations between partners are being disrupted under the crisis conditions of perestroika. Under these circumstances, several monopoly enterprises are behaving in a manner that is clearly not friendly and are trying to get an even bigger 'piece of the pie,' practically bleeding their partners dry. As a result whole regions are suffering. It is not fair that, for example, goods worth 2.8 billion rubles [R] leave Karaganda Oblast but goods worth only R1.2 billion come in."

Or, for example, a paradox such as the following. Liberated from the dictate of the center, many enterprises are breaking former economic contacts and demonstrating



their own narrow, local form of dictate. For example, the Kemerovo association "Khimvolokno," a supplier of raw materials to the Karaganda stocking and sock factory, demanded that the residents of Karaganda pay for deliveries solely in hard currency. And Russian factories have decided to take only slate and cement in exchange for common glass. Because of such partners as these, only 41 percent of the agreements to bring in goods have been concluded, as opposed to 67 percent for goods going out. Under such an economic system it is easy for the enterprises of the oblast to go bankrupt and ruin their region.

What is the solution? Precisely the creation of a commodities exchange, inasmuch as it will give clear information of how much things cost, it will provide guarantees for the way transactions are conducted, and it will conduct them more competently. For example, if the "Khimvolokno" association has put forward requirements that are presently impossible to fulfill, the exchange will immediately present the stocking and sock factory with a dozen new addresses of suppliers of raw materials trading at quite moderate prices and—most importantly—in rubles.

It is interesting that in conjunction with the exchange a business club is being created where business people will meet and contracts will be concluded. It is proposed that the business club be lodged in the most comfortable hotel in Karaganda—the "Kosmonavt"—while the exchange itself has begun to operate in the oblast's Technology Palace...

A meeting of the founders of the exchange will be taking place soon, and a board will be elected. Laborious work will begin to restore lost economic ties in a natural fashion. In any case, that is what one would like to believe.

## PRICES, BUDGET, FINANCES

### Latvian Decree on Formation of Hard Currency Market

914A0371A Riga SOVETSKAYA MOLODEZH  
in Russian 29 Dec 90 p 2

["Resolution of the Latvian Republic Supreme Soviet: 'On Measures To Form a Hard Currency Market in the Latvian Republic'"]

[Text] Giving due consideration to the need to expand the sphere of circulation for currency resources and form a hard currency market in the Latvian Republic, the Supreme Soviet of the Latvian Republic resolves as follows:

1. All legal and physical entities in the Latvian Republic may own foreign currency. Effective 1 January 1991, the free buying and selling of hard currency is permitted on the territory of the Latvian Republic.

2. To permit entrepreneurial companies (enterprises) that have been granted licenses to engage in operations involving the buying and selling of hard currency as a form of entrepreneurial activity on the basis of rules to be drawn up before 1 January 1991 by the Bank of Latvia.

3. To establish that the exchange rate in the buying and selling of hard currency is determined independently by the institutions engaged in operations involving the buying and selling of hard currency and that an average exchange rate for hard currency buying and selling operations is determined by the Bank of Latvia on the preceding day.

4. To assign the following tasks to the Bank of Latvia:

- to issue the necessary licenses to institutions that will be engaged in operations involving the buying and selling of hard currency;
- to set up procedures for forming a hard currency reserve in the Bank of Latvia and rules for holding hard currency.

5. Effective 1 January 1991, the Latvian Republic Council of Ministers will have the right to restrict operations involving exports and imports by those enterprises that handle their accounts for such operations using their own hard currency assets held in accounts outside the territory of the Latvian Republic.

6. To establish that legal entities that have foreign economic ties have the right to pay their workers part of their wages in a foreign currency obtained as the result of foreign economic activity only after the hard currency deductions set for payment to the local self-government and the republic government hard currency fund have been made.

7. To assign the Latvian Republic Council of Ministers the task of submitting proposals before 10 December 1990 on making changes to the legislation and on rescinding the force of legislative enactments connected with adoption of this resolution.

[Signed] A. Gorbunovs, chairman of the Latvian Republic Supreme Soviet, and I. Dajudis, secretary of the Latvian Republic Supreme Soviet, Riga, 29 November 1990

### Ukrainian Bank Official on Financial Impact of State Decrees

914A0339A Kiev PRAVDA UKRAINY in Russian  
2 Dec 90 p 2

[Interview with A.G. Chukhasyu, deputy chairman of the governing board of the USSR Bank for Foreign Economic Activity's Ukrainian Republic bank: "Prices...on Hard Currency Went Up"]

[Text] The emergence of new structures in the people's economic complex and the liquidation of many barriers and bans in the foreign trade area signified true steps on the way to the market economy. It goes without saying

that all of this should be based on a serious legislative foundation. It should be noted that both the national and the Ukrainian parliaments are making their contribution in this respect by passing the laws necessary for successful functioning of the enterprises under new conditions. A special role in this process is also played by the presidential decrees that correct this or that economic trend.

Keeping in mind that these decrees directly affect foreign trade activities of the enterprises, associations, and organizations and their financial interests, PRAVDA UKRAINY editors asked A.G. Chukhasyu, deputy chairman of the governing board of the USSR Bank for Foreign Economic Activity's Ukrainian Republic bank, to provide comments on these decrees.

[PRAVDA UKRAINY] Ananiy Grigoryevich, the decree that produced an especially wide range of reactions was the USSR president's decree of 2 November 1990, "On Special Procedures for Using Hard Currency Resources in 1991." What is your opinion on that?

[Chukhasyu] This decree—which stipulates that 40 percent of all income from exports must be transferred to the national foreign debt payback fund—has caught many by surprise. Of course, we realize that the country is in a difficult situation in regard to hard currency, that it has a negative trade balance, and that the external debt has grown. Nevertheless, such an antimarket solution nullifies the efforts of the workers' collectives to develop export production, and puts in an extremely difficult position both the republic and the local people's deputies soviets that, for all practical purposes, are being deprived of their last opportunity to direct their earned hard currency resources into the technical modernization of production and into social needs.

The decree stipulates that any Soviet enterprise or organization, regardless of their institutional or territorial affiliation, type of ownership, or any other factors, will receive Soviet rubles at the USSR Gosbank [State Bank] commercial exchange rate in exchange for appropriated hard currency.

The rest of the hard currency is distributed according to the hard currency deductions procedures that are currently in effect. Part of it goes into the hard currency fund of the exporter, and the other part is distributed between the all-Union-and-republic hard currency fund (90 percent) and the hard currency funds of the Union republics and local people's deputies soviets (10 percent).

It would appear to be logical—the national interest is protected; the national prestige in the international arena and on the world financial markets is maintained; all participants in foreign trade relations contribute actively to the reduction of national foreign debt. However, first we should examine how correct it is to apply this decree to everyone, to dump a share of this debt on every enterprise—a debt that was accumulated who knows when and how and the emergence of which many

enterprises have absolutely nothing to do with. Moreover, the decree was issued without any preliminary consultations or coordination with the Union republics. Figuratively speaking, it dropped on us like snow in July.

[PRAVDA UKRAINY] It is easy to imagine the reaction of those who produce goods for export, or provide various services to foreign partners...

[Chukhasyu] The decree does considerable harm to the economic accountability interests of the exporters and makes the export of goods and services produced by many of them less effective, or even outright unprofitable. It also deprives the local people's deputies soviets, and the republic as a whole, of the opportunity to create the necessary hard currency funds, which are already insufficient and which will be further reduced to a minimum after the decree goes into effect on 1 January 1991.

For instance, making this 40-percent contribution into the common foreign debt payback fund will leave the enterprises and organizations of the republic agroindustrial complex, light industry, petrochemistry, construction materials, and many other industry branches with practically miserly hard currency resources, although it is they who have a great need for hard currency for their reconstruction and technical modernization, for purchasing new equipment, machinery, and technologies, and for meeting the social needs of their collectives.

This leveling approach clearly contradicts many other legislative acts that had proclaimed full financial independence for enterprises, associations and organizations, and for kolkhozes and sovkhoses [collective and state farms].

In this regard, the 40-percent tax is not justified and, while we still have time before this decree goes into effect, we should differentiate the size of deductions for each republic, industry branches and enterprises, taking into account their interests. Such an approach would be justified from the economic point of view.

[PRAVDA UKRAINY] You said that instead of hard currency the owner will get Soviet rubles at a commercial exchange rate. Why has this rate been established?

[Chukhasyu] Negative economic phenomena that had been accumulating for a long time finally led to reduced competitiveness of Soviet goods on the world market and a shortage of goods inside the country. As a result, the real value of the ruble fell in relation to freely convertible currencies. As is known, on the black market nobody ever mentions that the dollar, for instance, is worth 55 kopeks at the official exchange rate. This situation fuels speculation, and also presents an obstacle on the way to establishing a process to make the ruble convertible. Therefore, a presidential decree dealing with this issue was introduced on 1 November. This decree is aimed at bringing the exchange rate of the ruble used in commercial operations closer to its real value.

[PRAVDA UKRAINY] Which types of hard currency and financial operations are affected by the presidential decree: "On Introducing the Commercial Exchange Rate for the Ruble in Regard to Foreign Currencies and on the Measures Towards the Creation of the All-Union Hard Currency Market?"

[Chukhasyu] The commercial exchange rate is used in all foreign trade operations related to export or import of any goods, works, or services. It means that a Soviet exporter, having sold his goods to a foreign partner, has his account credited with the ruble equivalent of the earned hard currency, calculated in accordance with the new exchange rate, which is now established on the basis of R1.8 rubles to \$1.

There is one more type of operation that uses the commercial rate. Operations of a noncommercial nature conducted by legal entities, that is, the issuance of hard currency for travel and per diem expenses.

[PRAVDA UKRAINY] How does the introduction of commercial rate affect the financial situation of enterprises that participate in foreign trade?

[Chukhasyu] The application of commercial rate will increase the profitability of export operations for the majority of Soviet suppliers, since the ruble equivalent of the hard currency earned by them is now three times higher.

Simultaneously with the introduction of the commercial rate, the USSR Council of Ministers canceled all differentiated hard currency coefficients that had been previously used in calculations for export-import operations. Now enterprise income from export operations will be determined only by the prices of their product sold on external markets; this, in turn, will make them take into account the state of the market and increase the quality of their products.

On the other hand, imports are becoming three times more expensive for Soviet customers. This should make the enterprises and organizations become more responsible when it comes to speedily putting into operation their fixed assets based on imported equipment, and looking into the possibility of substituting domestic goods for the imported ones.

[PRAVDA UKRAINY] How will this affect operations of joint enterprises in the USSR?

[Chukhasyu] For the foreign partners, participation in joint enterprises on the territory of our country becomes more attractive since their currency investment will be valued at the new commercial rate.

Besides, enterprises with the participation of foreign capital are exempt from the mandatory sale of 40 percent of their export earnings to the USSR Bank for Foreign Economic Activity for their ruble equivalent at commercial rates. This will serve as a certain incentive for them

to operate actively, since right now less than half of the 150 registered joint enterprises in the Ukraine are actually operating.

[PRAVDA UKRAINY] So far we have not touched on the interests of individual citizens. Will they not suffer considerable losses?

[Chukhasyu] I will say right away that the introduction of the commercial rate will not lead to the devaluation of a citizen's hard currency holdings being kept at their accounts in the USSR Bank for Foreign Economic Activity.

After reevaluation of the citizens' convertible currency accounts, the amount of convertible currency will not change; although the amount of ruble value of the remaining convertible currency amount in convertible currency accounts will triple. Therefore, the coefficients used in transferring money from these accounts to pay for the goods in specialized stores will be reduced by two-thirds.

As to citizens' accounts kept in fixed-rate currencies and at special accounts in the organizations of the USSR Savings Bank, the introduction of commercial rate does not change anything for the remainder of funds kept in these accounts, or their use.

#### **Azerbaijan Bank's Role in Republic's Economic Reform**

914A0341A Baku BAKINSKIY RABOCHIY in Russian  
18 Dec 90 p 2

[Interview with Guseyn Gyulmamedovich Dzhabarov, manager of the Tauz Branch of the Azerbaijan Republic Agroindustrial Bank, by Ye. Yakovlev: "The Bank Is a Reliable Partner"]

[Text]

[Yakovlev] Guseyn Gyulmamedovich, you took part in the First International Business Congress of representatives of various countries devoted to economic relations with our republic that was recently held in Baku. This was definitely a nonconventional event that opens a "window" for establishing and developing extensive market relations with the civilized world. How did you personally perceive this step of the republic government?

[Dzhabarov] As briefly as possible—with the greatest satisfaction, because in our age of sociopolitical upheaval, when all of us collectively, and everyone separately, are coming to understand that it is becoming increasingly difficult to live alone, far away, in isolation, not much will be secured without pooling the labor, material, and spiritual resources of this world. We should seek and locate common ground more vigorously and create conditions for the activities of life through joint efforts. In this sense, the business congress in Baku appears to me to be a specific step toward the practical implementation of radical economic reform in all sectors

of the national economy of our republic, including, of course, the banking system. Close mutually advantageous cooperation with foreign companies and mutual and purposeful use of bank loans will make it possible to use material and labor resources more efficiently and rationally and to ensure the necessary growth of the production of goods in order to form market relations and a market itself.

[Yakovlev] Therefore, as you see it, the process of setting up joint enterprises is inconceivable in the absence of vigorous involvement by banks?

[Dzhafarov] This could not be any clearer than it is! Who is going to finance all operations associated with the manufacturing and sales of products? Taking all of this into account, the new Law on the Bank offers extensive opportunities for its independent operation, as well as that of its rayon branches. In this case, the bank becomes a coequal partner of producers, a party interested in increasing and developing the production of goods with the use of untapped reserves.

[Yakovlev] How do you imagine partnership arrangements?

[Dzhafarov] The bank will need its own credit resources in order to carry out this action. We will tap the spare funds of enterprises, cooperatives, and the population in order to accumulate such resources. They will be used in a rational manner in order to create new production capacity, retrofit and expand already existing enterprises, and meet outlays associated with the production of goods. Along with this, the bank will extend loans from the resources accumulated for the creation of joint enterprises with foreign companies, with the participation of foreign capital, of course, the availability of raw materials and labor resources permitting. In our rayon, there is such an opportunity. The creation of joint enterprises in the western zone of Azerbaijan on the basis of highly efficient technologies will stimulate accelerated development and quality improvement of production, and will give us an opportunity to enter world markets.

[Yakovlev] Could you elaborate?

[Dzhafarov] The implementation of intensive technologies for growing and processing grapes with the participation of Western companies is expected. If the operations are organized properly, all investments made in wine production will be recouped within a short period of time, and the standard of living and incomes of the populace will increase. As far as Tauzskiy Rayon is concerned, it delivers on the average 60,000 tons of high-quality grapes to processing industries annually. However, deficient technologies in industry make it possible to produce only wine materials with a seasonal shelf life that are shipped by railway tank car for bottling outside the boundaries of the republic; there, they are sold as finished products. Our farms forego about 92 million rubles [R] in profits by supplying raw materials.

It affects monetary circulation in the republic unfavorably because finished products are not delivered to our internal market.

According to our calculations, under the conditions of market relations, the setting up of joint enterprises using modern technologies will lead to annual profits of R200 million in grape processing. In other words, the economic efficiency of production will increase by a factor of two. As a result of this, financial incentives for foreign partners will increase. If the products of joint enterprises are exported beyond the borders of our country at world-market prices, monetary profits will increase by a factor of more than four because wine is much more expensive in Western markets than it is here.

High-quality cognac and other alcohols are also produced from processed grape products in our rayon, as well as in the entire republic. These products are also shipped out of the republic as raw materials due to the absence of equipment for aging and bottling. In this manner, monetary profits from their sales are mainly retained by bottling enterprises. One more point. The population and the socialized sector grow rare and valuable strains of fruits and berries—cornel, quince, pomegranates, and blackthorn. There are also forests that abound in wild fruit and berry plants half of the fruits of which are lost due to deficiencies in processing. Using these resources in production will make it possible to generate annually about R56 million of extra income. Our bank branch may extend loans for setting up joint enterprises from its own procured funds up to the amounts needed.

[Yakovlev] These are, so to say, calculations. Is something already being done in order to actually implement them?

[Dzhafarov] In particular, premises have been remodeled by now for setting up a joint Soviet-Turkish enterprise for producing fancy goods from leather. The foreign participant will contribute to the statutory fund equipment for producing raw hides and other means for the regular operation of the enterprise. The contribution of each participant will be denominated in foreign-currency rubles or dollars, as well as in Soviet rubles. All expenditures entailed by the preparation of charter documents and technical feasibility studies will be borne by Soviet participants and the company.

The new production entity will operate pursuant to the provisions of Soviet legislation, charters, and contracts on the creation of joint enterprises. It will begin to operate upon registration, when it acquires the rights of a corporate person. An extensive assortment of high-quality, brand-name products will be delivered to the market. This will ensure the efficiency of the loans used and their repayment within the periods established.

[Yakovlev] Apparently, it will be necessary to have a sovereign bank in a sovereign republic that would be able

to marshal credit resources and regulate with greater freedom the economy of the republic, as well as an individual rayon.

[Dzhafarov] This goes without saying. Expanding the functions of banks will make it possible for them to tap the spare funds of clients as credit resources and use them rationally. Our branch of the Agroindustrial Bank accumulated on a contractual basis the funds of economic organs, cooperatives, and deposits of the populace totaling more than R10 million for the first time this year. As a result, state farms, construction organizations, and cooperatives improved their financial and economic activities; conditions were created for their normal operation. Performing these operations made it possible to reduce the centralized investment of credit accordingly. The profit of the banks on these activities came to R61,000.

### Impact of Price Reform on Armenia Examined

914A0347A Yerevan GOLOS ARMENII in Russian  
17 Nov 90 pp 1, 2

[Article by Candidate of Economic Sciences G. Garakyan under the rubric: "Road to the Market": "Monopoly Price"]

[Text] The debate on the various programs for the transition to a market mechanism has shown that the key problem and so-called bone of contention is the price system and pricing procedure. In accordance with the program of S.S. Shatalin, and in the work of other authors, it is proposed that after certain stabilizing measures in the field of finances and monetary circulation, there will be a gradual transition to freely formed market and contract prices.

The government's program, however, was calculated in a different way. First of all, it was intended to have a planned procedure for raising prices (by a factor of about 1.5 to 2) for most consumer goods, with subsequent compensation to the public for losses sustained. It was also planned to review wholesale prices for production-technical output with a view to entry into the market mechanism with correct prices expressing the prevailing economic conditions. And here the government program envisaged all possible use of the various kinds of prices: stable state (price-list) prices regulated from the center, and market prices. This is essential because conditions have not yet been created in our economy for free commodity circulation.

On 19 October 1990 the USSR Supreme Soviet confirmed the resolution: "On the Main Directions in Stabilizing the National Economy and Changing to a Market Economy," drawn up under the leadership of the country's president. During the second stage of stabilizing the economy and changing to the market, as recommended by the Main Directions, it is planned to effect a consistent and staged transition to market prices for an extensive range of production-technical output and consumer goods. Here, it is recommended that firm

state prices be maintained for at least one-third of all goods. According to the Main Directions, the Union republics will be given the right to introduce their own programs for the transition to the market, and to apply various measures to regulate and apply kinds of prices, including temporary price freezes for consumer goods in the event of extraordinary increases.

Naturally, what is of interest to us is which of the systems proposed for prices and pricing is most applicable to Armenia, giving due consideration to present economic conditions and the political situation.

We note that during the long years of the planned economy, Armenia did make certain gains in the field of socioeconomic and cultural development. But instead of critically assessing, from the standpoint of an advancing market, the structure of the republic's national economy, the makeup of the output produced, and the level of development for production forces in its particular sectors, we conclude that in our republic not all the production facilities it needs have been comprehensively developed, and, moreover, that the industrial enterprises that are there (apart from the "Nairit" Scientific-Production Association) are not monopolies in the field of producing similar articles.

The fact that the national economy has been shaped in this way is largely explained by the absence of the necessary raw material resources and its remoteness from the center and its main consumers. However, we must also note here that the centralized planning organs have for decades been pursuing a policy of discrimination against the republic's production forces. For it is common knowledge that the presence in any republic of a sufficient number of monopoly enterprises under conditions of free pricing and lack of competition offers them the opportunity to raise prices at their own discretion and thus insure for themselves excessively high profits at the cost of other regions. Meanwhile, the weaker republics like Armenia, where these essential monopolies are not present, find themselves unable to raise prices correspondingly.

Let me give you an example. The main material resources and subsets, and also most machinery and equipment in Armenia, are obtained from other republics. As they move to the market mechanism and free pricing, given the present shortages, the latter will immediately raise their prices, there can be no doubt of that. I think that here, without doing any scrupulous calculations, we may conclude that, given free prices, it will be very difficult for us to have equivalent exchange with the large republics because the articles that they produce cannot become objects of a contract of sale at the prices we want, that is, we cannot find appropriate demand from other republic contracting parties in interrepublic exchange. And if consumers do show an interest in particular goods of ours, then our republic cannot raise the prices for them as much as it would like since similar articles are being produced by other republics that can sell them at lower prices.



In terms of their technical level of development, enterprises in our republic are lagging behind similar enterprises located in the more powerful and economically developed republics that are producing mainly similar articles. Therefore they cannot hold out against the competition either at the level of output quality or in terms of cheapness.

Consequently, freely formed market prices and their use in interrepublic economic links, that is, in exchange between the republics as proposed by the programs of S.S. Shatalin and other authors, are still unacceptable for Armenia and other republics with small capacities and insufficiently comprehensive development. Through the free market prices the large republics will dictate their own conditions on the smaller republics, thus pumping some of the latter's profits into their own pockets.

It is understandable that we are not about to engage in those kinds of "market relations." But what should we do in this case? For one way or another we must switch to the new conditions. Here it would seem that what is most acceptable for Armenia could be the version proposed in the programs of the president and Government of the USSR that preserves existing economic links between the republics and effects commodity exchange in accordance with firm state prices for the basic kinds of material resources and machines and equipment.

However, those prices and the pricing policy are not to the liking of the large republics, first and foremost Russia, whose Supreme Soviet adopted without delay the S.S. Shatalin program which proposes the universal application of market prices. In our view the existing situation in the country's economic and political life indicates that sooner or later a decision on free pricing will be made. In that case Armenia, which has close economic ties with other republics, will no longer be able to ignore or protest market prices. In the other scenario our republic will be unable to conclude appropriate contracts in good time for imports of goods, or resolve its own financial problems.

How must we act in this case?

First of all it is necessary to change, as far as possible, the structure of production for industrial and agricultural output in such a way as to make our republic dependent to the least degree possible on other regions, in particular, dependence with respect to those articles that we can produce here. True, we will need additional resources and time for that, but the present delineation of the republics and the market mechanism will ultimately force us to take that step.

The deepening of production specialization for particular kinds of articles can also become a means for resolving our republic's financial problems. But we do not need the kind of specialization that tied Armenia to the center by using planning and administrative methods in economic management. Production specialization for particular kinds of articles should be dictated by the interests of our republic and the market. And specifically

it is necessary to consider the kinds of output for which Armenia occupies leading positions in the USSR in terms of volume and quality, and what prospects there might be for demand for that kind of output, and the prices at which it can be sold. This means that it is necessary to predict the market and, given favorable conditions for that output, to expand it. Here it is necessary to devise sensible and far-sighted tactics and strategy since in our country, particularly during the initial transition to the market mechanism, it is an object of management that is very difficult to regulate, and it is unpredictable. An incorrect prediction of the market and market relations and a change in the structure of production on the basis of the results of this kind of prediction may lead to disastrous consequences.

It is also essential to make a maximum effort to improve output quality and reduce operating costs per unit of output, because, all other things being equal, improving those indicators makes it possible to improve the competitiveness of our products and thus acquire new markets for sales at market prices more favorable to us.

Given commodity exchange between the republics through market prices, it is essential to fix regularly and accurately what kind of losses our republic can sustain over a given time because of increases in market prices, and to find corresponding countermeasures to compensate for those losses through raising prices for goods delivered to other republics. When this is done, price increases should not be effected blindly, since if this occurs our republic may lose its economic partners.

None of the above indicates that we are totally rejecting free-form market prices. The existing economic conditions in Armenia prompt us to conclude that it is initially unacceptable to apply those prices. The future belongs to the market mechanism and prices in a free market. At the same time it should be noted that in no country, regardless of its development, has the transition to the market been painless. It requires major material expenditures and spiritual efforts on the part of the people, and a skillful and flexible economic policy on the part of the government.

### **Moscow City Tax Inspectorate Chief Holds Press Conference**

*914A0391A Moscow IZVESTIYA in Russian 31 Jan 91  
Union Edition p 3*

[Article by V. Belikov: "Where Did You Get Your Money?"]

[Text] **In less than a year of its existence, the Moscow City State Tax Inspectorate has succeeded in contributing to the budget a sum exceeding 200 million rubles [R].**

This is what Chief of the Inspectorate D. Chernik said on 29 January at a press conference at the Moscow Soviet devoted to the initial results of operation of the new service. It was set up in the spring of last year pursuant to a recently adopted Union law. In the capital city, 40,000

taxpayers—enterprises reporting to the Union and the republic, thousands of cooperatives and joint enterprises, public and religious organizations, and people engaging in individual labor operations—are objects of its attention.

In addition, the income of any of the 5.5 million employed Muscovites may be verified by tax inspectors one way or the other. Incidentally, there are fewer than 1,500 of them in the capital city, whereas the workload per person is 4.5 times higher than their colleagues in Paris have, or eight times higher than that of their Belgian colleagues.

The chief of the inspectorate stressed: "Our activities are not at all restricted to looking for 'arrears.' Our main goal is to verify accurately and impartially the correctness of compliance with legislation on payment of tax amounts due. On occasion, it turns out that greater than the amounts of taxes due have been collected. In these cases, excess withheld funds are refunded to labor collectives at the request of the inspectorate. In 1990, R25 million were refunded."

Staff positions in the tax inspectorate of the capital city have largely been filled by now, and rayon subdivisions have been created. At present, vigorous efforts to computerize branches are under way. Installation of personal computers will make it possible to work quickly and efficiently. The experience of a similar service in the United States, which is justifiably referred to as "omnipresent and all-knowing," indicates that it verifies annually the incomes of only... two percent of the taxpayers. However, due to the skillful use of a countrywide computer network and a huge data base, it manages to find and severely punish many individuals who deliberately fail to report their incomes.

Do we have similar tax code violators? Unfortunately, there are many. Deficiencies in the legislation in effect facilitate this. Incidentally, noted D. Chernik, a draft law

on the tax inspectorate that is currently being developed in the RSFSR on the whole provides for treating organizations and individuals who fail to report their profits to the state in a harsher manner.

In response to a question by an IZVESTIYA correspondent concerning possible sanctions imposed by inspectors on unconscientious managers, D. Chernik named a potent measure—suspension of financing. A ban is imposed immediately and must be applied by all state or commercial banks. Substantial personal fines, which managers or executive employees of enterprises, who are directly responsible for failing to report profits for taxation, have to pay when there are sufficient grounds are equally effective.

Inspectorate Department Chief L. Shilova recalled that this year many Muscovites and residents of other areas of our country will have to file declarations for the first time and officially report their incomes. Declaration forms may be obtained at rayon tax inspectorates, and this is also where one may learn about deadlines and rules for filing them. In particular, people with creative occupations who have so-called varied income (authors of the works of science, literature and art, inventions, discoveries, and industrial prototypes) should report their incomes prior to 1 March.

As market relations in our country develop, the number of people with varied sources of income will increase. People who have purchased shares or other securities, people holding second jobs, those renting buildings, apartments, garages, or making any assets available under leases are already among them. It is also necessary to report incomes obtained in or from foreign countries.

In a word, it is better to inquire about your precise duties at the rayon tax inspectorate of your domicile right away rather than later pay a fine ranging between R50 and R100.

## AGRO-ECONOMICS, POLICY

### New Academic Institutions Established

#### Director Explains Functions

914B0066A Moscow SELSKAYA ZHIZN in Russian  
17 Jan 91 p 2

[Interview with Elmira Nikolayevna Krylatykh, deputy director of the All-Union Academy of Agricultural Sciences, by TASS correspondent G. Yevstifeyev: "Continuing the Work of Chayanov"]

[Text] The State Commission on Food Goods and Purchases of the USSR Council of Ministers and the All-Union Academy of Agricultural Sciences have created an agrarian institute that is headed by VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] president A.A. Nikonov. What are the goals and the tasks of this new scientific institute? This subject is discussed with a TASS correspondent by the deputy director of the institute and Corresponding Member of VASKhNIL Elmira Nikolayevna Krylatykh.

[Krylatykh] During the crucial periods of social life, a need appears for scientific institutes of a new type. Thus, following the revolution, when a conversion over to a new managerial system was carried out, the Institute of Agricultural Economics and Politics was created in 1919 and it operated successfully for several years. It was organized by the well known economist Aleksandr Vasilyevich Chayanov.

And now today, in the early 1990's, with the land reform unfolding, we are witnessing a conversion over to the market and a multi-faceted economy and also an objective need for scientific organization of an interdisciplinary nature. Towards this end, an agrarian institute was created at the end of last year. It can be viewed as the successor of A.V. Chayanov's institute and we will attempt to justify this role.

[Correspondent] What are the principal operational trends of your specialists and what work will they be carrying out in the immediate future?

[Krylatykh] One general problem has been selected for the institute as a whole—the theoretical validation and practical realization of the agrarian reform in our country. Studies will be carried out on specific trends and subjects. Included among them—the problems of ownership in the agrarian sphere, the development of various managerial forms, the scientific principles of the land reform, the methods and forms for state regulation, the formation of a market infrastructure and the socio-cultural aspects of the reform. The history of agrarian relationships and the development of the agrarian science will occupy a special place in the work carried out by the institute.

The plan calls for studying the peasantry as a social community of people, its structure, behavioral motives,

interests and living and working conditions. A special object of the study will be that of peasant farming.

[Correspondent] For which consumers are the operational results of the institute intended?

[Krylatykh] We hope that these results will prove useful primarily to the peasants themselves and to their association. From the very beginning, some studies will be oriented towards use in the legislative work of the Committee for Agrarian Problems and Food Goods of the USSR Supreme Soviet. For example, we have already joined in the preparation of the Draft Legislative Principles of the USSR and union republics governing the agrarian reform. Contacts are being established with the RSFSR State Committee for Land Reform and the Association of Peasant Farms and Cooperative Specialists of Russia.

[Correspondent] What will the organizational structure of this institute be like?

[Krylatykh] Similar to Chayanov's institute, our institute will be small—only 60 persons. Several creative groups are being established. Each one of them will be a leader in a particular research area. At the same time, it will be a co-executor in a number of other areas. The groups are being created for the time required to carry out a definite amount of work.

[Correspondent] What sources will be employed for financing the institute?

[Krylatykh] The main portion of the funds will be earned by the collective itself—based upon contracts with enterprises and administrative organs for the development of those methodological materials required for carrying out the agrarian reform and a portion of the earnings—for subjects of a fundamental nature—will be furnished by VASKhNIL on a contractual basis.

[Correspondent] Do you expect to develop scientific contacts with specialists from other countries?

[Krylatykh] We have already made arrangements for such contacts. For example, the institute has joined in carrying out studies over a period of three years, studies which were organized based upon the method of Professor Theodore Shannon of Manchester University. Joint work is being carried out with Professor Prosterman of the U.S.A. Joint plans will be carried out with the international non-governmental organization "The World and Food Goods." Many other recommendations are available.

#### New Academy in Kiev

914B0066B Moscow SELSKAYA ZHIZN in Russian  
29 Dec 90 First Edition p 1

[Article by TASS correspondent P. Buchel, Kiev: "Agrarian Academy of the Ukraine"]

[Text] The Ukrainian Academy of Agrarian Sciences was established today. Its structure includes approximately 120 scientific-research institutes, for which 54 academicians, corresponding members and a presidium have been selected. The president is VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] Academician A.A. Sozinov.

The autonomous nature of the republic's agrarian science will expand its independence and make it possible to concentrate the scientific-production potential on solving the urgent problems of agro-industrial production. Among the priority tasks confronting the academy—participation in the land reform, solving the problems of radiology, the methods of biological farming, biotechnological, gene and cell engineering and searching for promising methods for solving the economic and social problems of rural areas.

#### **New Academy in Alma-Ata**

914B0066C Moscow SELSKAYA ZHIZN in Russian  
12 Jan 91 First Edition p 2

[TASS report, Alma-Ata: "Academy of Agricultural Sciences Created"]

[Text] A republic Academy of Agricultural Sciences has been created in Kazakhstan.

The required foundation for this new branch academy was established in previous years. This included more than 50 scientific-research institutes of an agricultural profile, a considerable number of which were located in oblast cities and agricultural settlements. The specialists expect that the merging of the creative forces found in all of these institutes, under the aegis of the republic academy, will promote the accelerated integration of agricultural production with science. At the present time, there are roughly 35 million hectares of arable land in the republic. More than 40 million head of productive livestock are being maintained on kolkhozes and sovkhozes in Kazakhstan.

#### **Agrarian Universities Established**

914B0066D Moscow SELSKAYA ZHIZN in Russian  
26 Jan 91 p 1

[Article by V. Bykadorov: "Agrarian Universities"]

[Text] Eight state agrarian universities have been established at Voronezh, Krasnodar, Kharkov, Krasnoyarsk, Leningrad, Dnepropetrovsk, Novosibirsk and Chelyabinsk. The higher status accorded the agricultural academies will make it possible for them to raise the quality of preparation of specialists for the countryside and to more actively accustom them to scientific research activity and practice.

## **AGROTECHNOLOGY**

### **Developments, Trends in USSR Grain Production Noted**

914B0063A Moscow PLANOVOYE KHOZYAYSTVO  
in Russian No 11, Nov 90 pp 39-43

[Article by L. Vashchukov, administrative director of USSR Goskomstat [State Committee for Statistics] and candidate of economic sciences, A. Manellya, laboratory director, USSR Goskomstat NII [Scientific research institute] and Yu. Zhivilin, department director, USSR Goskomstat: "The Country's Grain Industry"]

[Text] To a significant degree, the level of development of the grain industry determines the economic situation within the country, the supply of basic foodstuffs to the population, and the status of the feed base for livestock raising (about two-thirds of grain resources are utilized for forage purposes). Gross agricultural production in general depends upon the volume of grain production.

Despite the ongoing curtailment of sowing area within the country until quite recently, average annual agricultural production in 1986-1989 comprised 207 million tons. This year a very good crop matured in the country's fields. Unfortunately, it was not possible to harvest the crop completely. It turned out that the country's economy was not prepared for such a successful year. As of early August there were 701,000 combines in enterprises, i.e., one grain-harvesting combine per 154 hectares of land. Unprepared for harvesting operations were 71,500 vehicles; as a consequence, the burden on other vehicles increased. The productivity of domestic combines is not high, and under current conditions (a dense and tall grain stand, moisture, lodging and so forth) it has decreased substantially. Unfortunately, there are only 33,000 Don M-1500 combines, which have proven themselves well. Of these, 1,400 are in a state of disrepair.

The lack of organization among village workers and the lack of resource supplies has also had an effect on the volume of grain collected. In a number of places, in keeping with a bitter tradition, again there were no spare parts, no fuel, no vehicles, no storage facilities and no machinery and dryers for the partial processing of grain. The non-fulfillment of contractual obligations with regard to supplies of fuel and lubricating materials had an especially negative effect on harvesting. Gasoline for automobiles was not delivered to 20 oblasts, krais and ASSR's; diesel fuel—to 37. In connection with this, confusion reigned in many kolkhozes and sovkhozes. The passage of measures by the government improved the situation somewhat, but it was not possible to correct everything.

The USSR consumes 15 percent of the world's grain crop but produces only 11 percent of the world's grain. This is related to the low level of grain crop productivity, which in 1989 was over six quintals per hectare less than the average world levels. In per capita size of grain crop

sowing area the USSR occupies third place in the world (behind Australia and Canada), but in per capita grain production—ninth (after Canada, Australia, Hungary, the U.S., Bulgaria, Argentina, France and Czechoslovakia). The USSR's per capita grain production is double that of China's and greater than India's by a factor of 3.7. At the same time, the average annual import of grain into the USSR has exceeded 30 million tons during the last four years (1986-1989).

One of the reasons for the need to procure grain abroad is the low return on capital investments for the intensification of grain production. In the period prior to the implementation of the USSR Food Program (1971-1982) productivity practically did not increase, and in 1983-1989 it increased somewhat. However, growth in productivity accompanied by decreased crop area in grains did not compensate for the investments that were made and was inadequate for satisfying the growing demand in all expenditure items of the national grain balance.

Under conditions in which sowing area is being curtailed, the main reserve for increasing gross grain yield is growth in productivity. With an average national productivity of 17.8 quintals per hectare in 1988, 35 quintals and more were produced by 5,300 enterprises (11 percent) on an area of 6.6 million hectares, while at the same time 8,300 enterprises (17 percent) produced fewer than 10 quintals per hectare, which leads to great instability in grain production within the country. The fluctuation in productivity within USSR dynamics as a whole reaches 25-30 percent during some years.

An increase in the application of mineral fertilizer, the quantity of which grew by 3.5 million tons or by 56 percent, had a considerable effect on grain production during the years of the 11th and 12th five-year plans. This enabled us to increase the application rate of fertilizer per hectare of sowing area by 38 kilograms in the country as a whole and to a large extent to neutralize the consequences of unfavorable weather conditions. Calculations show that the use of mineral fertilizer in 1988 provided for over 20 percent of gross grain yield in the country as a whole. At the same time scientifically-based rates of mineral fertilizer application for grain crops have not been achieved; not all areas in grains are fertilized (in 1989—73 percent). In many cases there is a violation of the necessary proportion of nutritional elements within fertilizers. Phosphorus and potassium fertilizers were applied at 21 percent less than the recommended norm. In 1988, for example, due to structural violations there was a grain shortfall of about 25 percent per each kilogram of fertilizer applied as compared to the norm.

In order to achieve stable growth in the productivity of grain crops the use of highly productive regionalized varieties acquires more and more significance. However, the necessary attention is not being given to this work. This year the area in grains occupied by incidental varieties that have not been adapted for cultivation

under local conditions increased and comprises 14 million hectares, or 13 percent of the total area in grains; of this, 6 million hectares are in industrial crops. The proportion of regionalized varieties of buckwheat and peas remains low, whereas new varieties regionalized during the last 10 years occupy less than a third of the area in buckwheat and only one-fifth of the area in peas.

In a number of regions unconditioned grain seed continues to be sown. In 1989, for example, less than 75 percent of grain and legume seed could be classified as Class I or Class II, and of every 100 tons of examined seed 8 tons were not conditioned. Low-quality seed was used for sowing in the enterprises of Leningrad, Novgorod, Pskov, Kalinin, Kostroma, Yaroslavl, Kirov, Perm and Tambov oblasts, the Udmurt ASSR, and the Eastern Siberian and Far Eastern regions of the RSFSR, where by the beginning of sowing (as of 1 March) the proportion of unconditioned grain and legume seed (without corn) comprised 20-38 percent.

In recent years the area in corn grain has increased in the country from 3.0 million hectares in 1980 to 4.4 million hectares in 1989; the proportion of this crop throughout the entire sowing area for grains increased correspondingly from 2.3 to 3.9 percent. Gross yield increased by 6.6 million tons, or by 70 percent, which also affected growth of average productivity of grain crops.

Land reclamation as a factor in raising the level and stability of grain crops productivity is being utilized ineffectively. While there has been total growth in the size of sowing area for grain crops on irrigated lands, we see a drop in the proportion of grains from 27 percent in 1975 to 24 percent in 1989. In the course of many years growth has been used primarily to expand the area in annual and perennial grasses (about 40 percent of total growth). Only 24 percent of general growth can be attributed to grain crops, including to corn crops—nine percent. Productivity of grain crops on reclaimed lands is increasing slowly (during recent years—by only eight percent, as compared to non-reclaimed lands—by 20 percent).

Recent changes in the territorial structure of production have affected the status of the grain industry. In order to examine the changes that have taken place let us single out four large grain zones that differ considerably in production conditions and in which 90 percent of the area in grains and of grain production is concentrated. These regions are the Baltic,<sup>1</sup> the Non-Chernozem Zone,<sup>2</sup> and the zones of spring<sup>3</sup> and winter<sup>4</sup> crops.

The redistribution of grains into dry-farming zones has hindered the growth of gross grain yield during the last 4 years (1986-1988) as compared to 1952-1954. The production structure for gross grain yield has not changed considerably, but here the territorial structure of production has undergone significant changes with regard to sowing area in grain crops—there has been a decrease in crop area in zones in which the most rapid growth in productivity has occurred and an increase in sowing area



in grains there were productivity increased significantly more slowly. Due to redistribution into the country's dry-farming zones the coefficient of biological productivity of the grain field decreased by 8.9 points.<sup>5</sup> The foundation was laid during the period of assimilation of virgin and fallow lands. In the 33 oblasts that are designated as regions for the assimilation of virgin and fallow lands, in the course of seven years (1954-1960) the area in grain crops increased from 37 to 57 million hectares, whereas in the USSR as a whole the expanded crop area comprised only 3.8 million hectares. This occurred as a result of a considerable curtailment of sowing area in grains in the other regions of the country from 74.7 to 58.5 million hectares, or by 16.2 million hectares. Growth in the area in spring wheat in regions of virgin lands assimilation was accompanied in 1954-1960 by a curtailment in the sowing area of winter wheat and rye, oats and groats crops in other regions. The freed lands were utilized for feed crops. In the Ukraine there was an increase in the area in sugar beets. The structural changes that occurred did not provide the expected increase in grain and encouraged the development of a monoculture with all of its shortcomings—the deterioration of the soil cover, the genetic degeneration of varieties and the destruction of the crop rotation.

The assimilation of virgin and fallow lands resulted in a drop in the average annual growth pace of gross grain yield from 108 percent in 1945-1954 to 101.7 percent in 1955-1965. The change in the structure of sowing area affected the production structure of livestock production. There was a slowdown in the growth of meat and egg production and an acceleration of the pace of growth of milk production. In order to eliminate the shortcoming in meat products and to develop poultry raising there was a need for concentrated feed, which was in short supply in the country. The harvest failures of 1963

and 1965 gave rise to the first wave of grain imports, which had been practically non-existent prior to 1963. Calculations show that if the territorial structure of 1952-1954 had been maintained in 1986-1989, the average gross grain yield would have increased by 14.2 million tons based on average productivity for the last 3 years; this would have enabled us to significantly curtail grain imports in 1986-1989.

The preservation of unproductive crops in the dry farming zone for spring crops is one of the sources for the drop in grain production stability within the USSR. In connection with this great hopes were placed on increasing production in the Non-Chernozem Zone, but they were not realized.

A relatively low grain productivity in the Non-Chernozem Zone is evidence of the fact that its production and labor potential as well as the best conditions for moisture supply are being utilized with inadequate effectiveness. This can be explained by the unfavorable demographic situation (a drop in the village population in 1970-1989 by 20 percent, as well as an aging population), by the ineffective use of labor and material resources, by the neglect of social conditions and by command-administrative methods of agricultural management.

Let us examine the dynamics of productivity in the Baltic zone and in the winter grains zone. Considerable growth here (by over 1 quintal per hectare) is the result not only of the best agroclimatic conditions but also of a higher level of production intensification. Thus, in the Baltic zone as compared to the Non-Chernozem more organic fertilizer by a factor of 1.4 and more mineral fertilizer by a factor of 1.6 is applied per hectare of crops, and grain crops are cultivated according to intensive technologies on considerable areas of land (see table).

Economic Indicators for the Status of Grain Production According to zones, average for 1986-1988

|                       | Coefficient of biological productivity of climate (B <sub>k</sub> ), points | Gross grain yield, millions of tons | Average annual growth in productivity, 1983-1988, quintals per hectare | Production cost of 1 quintal grain in kolkhozes and sovkhozes, rubles | Labor expenditures per quintal grain in kolkhozes and sovkhozes, man-hours | Organic fertilizer applied per hectare grain crops in all categories of enterprises, tons | Mineral fertilizer applied per hectare grain crops in all categories of enterprises, quintals | Proportion of grain crops cultivated according to intensive technologies in enterprises of all categories, percent |
|-----------------------|---|-------------------------------------|--|---|--|---|---|--|
| Baltic zone           | 117   | 13.8                                | 1.01   | 1.37  | 13.47  | 8.02  | 2.53  | 86.5   |
| Non-Chernozem zone    | 109   | 22.5                                | 0.11   | 1.65  | 15.49  | 5.60  | 1.56  | 17.7   |
| Zone of spring grains | 83  | 61.4                                | 0.31   | 0.97  | 10.51  | 1.41  | 0.45  | 83.0   |
| Zone of winter grains | 127   | 83.0                                | 1.39   | 0.93  | 7.76   | 5.31  | 1.32  | 83.9   |

Within the country there are extensive unutilized reserves that can be used to considerably decrease grain imports, as for example decreasing grain expenditure for mixed feed. Calculations show that as a result of direct

feeding of grain and grain products to livestock the loss of concentrated feed due to decreased assimilation by animals comprises over 20 million tons.

The grain losses that have been considered, including non-utilized waste products, alone comprised about 30 million tons, or 14 percent of the collected harvest, in 1989. This includes losses during harvesting, storage and grain processing in enterprises. If we add to them the losses that were not considered during shipping of grain and within the sphere of grain product sales as well as during the semi-processing and processing of grain, total losses will be considerably higher. Of course, not all losses can be eliminated. Natural losses during storage, waste products within the limits of industrial norms during grain processing and a certain portion of losses during mowing and threshing are included among unavoidable losses. In the U.S. grain losses at all stages of production, shipment, storage, finishing, processing and the sale of grains and grain products comprises about seven percent of gross grain yield in weight after finishing.

Grain imports can be curtailed not only by means of curtailing grain losses but also by more efficiently using the collected harvest. Grain expenditures as feed for livestock and fowl increased more than tenfold between 1954 and 1989. The size of the herd of cattle translated into standard head doubled during the same period, grain outlays increased fivefold, meat production in slaughter weight—threefold, and milk—by a factor of 2.8. This data shows that a considerable overexpenditure of grain for feed purposes is tolerated since livestock production increased less than the expenditure of grain as livestock feed. At the same time the proportion of succulent and pasture feeds in feed regions is decreasing. In 1989 as compared to 1965 within the structure of feed expenditures for all types of livestock and poultry the proportion of concentrated feeds increased from 23.2 to 33.6 percent, pasture feeds decreased from 24.9 to 15 percent and succulent feeds—from 18.2 to 15.3 percent. One of the reasons for the ineffective use of feeds is the presence in enterprises of a large quantity of unproductive livestock.

The inefficient use of grain in enterprises is stimulated by the price structure that has developed. It is more advantageous for enterprises to feed raw grain to hogs and poultry than to procure mixed feed, which is more expensive by a factor of 1.3-1.8 than soft varieties of wheat or barley.

Average annual volumes of grain procurement during four years of the current five-year plan have comprised 68.5 million tons, which is two percent more than the average for 1981-1985. Within their structure food crops occupy 70 percent as compared to 65 percent during the years of the 11th Five-Year Plan. However, there have been no significant qualitative changes in the composition of procured grain. The share of procurement of strong wheat varieties with a gluten content of 32 percent and more in 1986-1989 decreased to 19 percent as compared to the 11th Five-Year Plan (the average for 1981-1985 was 28 percent).

Measures to sell grain for convertible hard currency did not yield the expected results in 1989; only 0.5 percent of the total procurement of strong, valuable and durum wheat varieties were sold in this manner.

Grain procurement is developing problematically in 1990 as well. Enterprises are not hurrying to dispose of their harvests and to sell them to the state to fulfill state orders. Under conditions of an unstable economy they are not sure of supplying livestock with mixed feed from state resources, which forces them to hold on to their grain for feed purposes and to exchange it for goods and equipment that are in short supply.

Moreover, new elevated procurement prices for grain crops that were announced prior to harvesting are also stimulating grain sales poorly.

The national riches of a country are assessed by the quantity of grain produced. The existing tendencies demonstrate that the pace of development of grain production within the USSR is lagging behind growth in national demand. This means that the country's economic dependence on the state of the world grain market is continuing. Extraordinary measures are needed to put a halt to this tendency.

#### Footnotes

1. Lithuania, Latvia, Estonia, Belorussia.
2. Arkhangelsk, Vologda, Leningrad, Novgorod, Pskov, Bryansk, Vladimir, Ivanovo, Kalinin, Kaluga, Kostroma, Moscow, Orel, Ryazan, Smolensk, Tula, Yaroslavl, Nizhne Novgorod and Kirov oblasts, Komi ASSR, Mari ASSR, Mordovian ASSR, Chuvash ASSR, Udmurt ASSR, and Perm, Sverdlovsk and Kaliningrad oblasts.
3. Transvolga, West Siberian and East Siberian regions and Kazakhstan.
4. The Ukraine, Moldova, the Central Chernozem Zone, and the North Kazakhstan regions of the RSFSR.
5. The coefficient of biological productivity of climate ( $B_k$ ) characterizes the status of heat and moisture supplies and their influence on the productivity of agricultural lands. Data on  $B_k$  and a point assessment of arable land are taken from the USSR State Land Survey.

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## LAND RECLAMATION, WATER MANAGEMENT

### Academician Views Moldovan Land Degradation, Drought

91WN0211A Kishinev SOVETSKAYA MOLDOVA  
in Russian 17 Nov 90 p 3

[Article by M. Lupashku, vice president of the Moldovan SSR Academy of Sciences and academician of the Moldovan SSR and All-Union Academy of Agricultural Sciences imeni V.I. Lenin, under the rubric: "Ecology and Agriculture": "Solutions to the Crisis"]

[Text] The most dangerous and multifaceted misfortune for Moldovan SSR [Soviet Socialist Republic] agriculture is drought. It has brought and brings incalculable troubles to agriculture, the environment, and the economy of the republic.

The prolonged drought of 1891-1892 was followed by individual summer droughts when the rain would not fall for an entire summer and the crops in the field almost completely died. As a consequence of these droughts people were doomed to famine and the entire community lagged behind in its development for many years.

Across the 100 years from 1890 to 1990 droughts, very severe ones, were observed 28 times. They were especially frequent in the southern zone of Moldova. There, in essence, every other year for the last 30 years has been dry.

In the majority of cases droughts are also accompanied by strong hot winds, and this is especially disastrous for the vegetation.

The hot, dry weather also favors the mass appearance of pests.

This year, 1990, turned out to be unprecedentedly dry for the southern and in part for the central zone of Moldova. Taking into account the existing situation, the Moldovan SSR Academy of Sciences, jointly with specialists of the Ministry of Agriculture and the Food Industry, the department to preserve nature, and others, organized two comprehensive expeditions to that zone (the first took place 23-25 May, the second, 14-20 August).

It was established that in the southern zone of Moldova the current drought was preceded by dry periods—the winter of 1988-1989 and a rather severe spring drought.

From January to September of this year weather conditions in the republic, especially in the southern region, were even more severe. From January to July in Shtefan-Vode, Leovskiy, Kakhulskiy, and Komratskiy Rayons precipitation was only one-third of normal levels, and what did fall was of little use because it did not fall when the vegetation needed it most. In the south of the republic the drought has lasted almost two years in succession.

Under these critical conditions, even on the fields where the demands of agricultural technology were, for the most part, observed, winter wheat and winter barley had scarcely reached 30-35 cm by the time it was supposed to be forming ears, and many crops did not form ears and grain and shrivelled to the roots. The pea harvest was only 10.2 quintals/hectare, and in Keinarskiy and Leovskiy Rayons it was seven-eight quintals. The drought, which continued in July and August accompanied by unprecedentedly high air temperatures, also had a disastrous effect on corn, sunflower, and other late

crops. The natural grazing lands had no vegetative cover, even in the flood plains of rivers.

As a result of the severe drought and the consumption of water for irrigation, the lower reaches of the small rivers Kogyl'nik, Yalpug, Yalpuzhel, Lunga, Lungutsa, Larga, and others had sharply reduced levels and even were completely dried up in some places, and their flood plains were covered with a salty coating and turned into a lifeless expanse. A white salt deposit also covered many tracts of grazing lands where the farmers had not refrained from using the water with its high mineral content to water them. Now the soil of the flood plains in the south is in need of drainage and chemical and phytotechnical reclamation.

The sewage of animal breeding complexes is also causing great harm to the environment. The collection ponds in the region of Chadyr-Lunga are an especial danger, as the materials of the expeditionary investigation showed.

As a result of the long drought, as well as intensive water usage, many reservoirs are unfit for personal and farming use. Lake Kakhul, for example, has lost about half of its volume of water, and Lake Beleu has completely dried up. The situation is also worsened by the fact that water facilities are being intensively fouled by consumer and agricultural drainage. As a result of increased evaporation and other processes in the remaining ponds, reservoirs, and small rivers, the mineral level of the water has increased sharply (from 2.5-4 or more grams per liter).

In many villages and rayon centers and at animal breeding farms and complexes there is not even enough water for drinking and daily needs. A genuine catastrophe is impending. It has been forming for years and even decades as a consequence not only of drought but of a deep disregard for the laws of nature, agriculture, crop production, and man's influence on the main links of the kray's ecosystem.

Nature, as we know, does not suffer voluntarism, stupidity, and incompetence in regard to it and severely punishes these things.

Depredation of the forests in the past and present centuries has changed not only the appearance of the region and the agricultural landscape of the ecological microzones, but it has led to a severe deterioration in the territory's hydrological system. Under the pressure of voluntaristic methods of leadership (especially after the sixties and seventies), the last plots of natural lands, forest groves, and woodland belts are being pulled into the agricultural revolution. The level of cleared land in the southern zone has reached 85-87 percent. The so-called interfarm crop rotations were created during these years and the fields were consolidated without regard for the contour of the locality, the character of the topsoil, and other ecological factors. Violation of the structure of crops continued during those same years and later, and the proportion of row crops increased sharply. With the goal of increasing the area under perennial crops, the soil

was prepared using deep plowing on a frequent and universal basis. These and many other violations of the agricultural system led to an unbelievable scale of water and wind erosion of the soil, formation of gullies, loss of humus, and destruction of the structure of the topsoil. The destructive processes continue today as well.

After the harvest of the winter crops, the barbaric practice of burning the straw and stubble is widely pursued. The fields, without cultivation with a disk harrow which would permit the preservation on the surface of a type of mulga from the vegetative remains, is immediately plowed up. Then over the two-three months of the summer-fall period (especially under conditions of high temperatures), the process of mineralization of the organic chemistry in the soil gathers momentum on the field that has been plowed up.

In August 1990, about 70 percent of the fields in the southern zone were plowed up, which undoubtedly increased the danger of erosion significantly. The passivity and indifference of many specialists and leaders in this critical and, in essence, catastrophic situation evokes bewilderment. After all, the problems connected with drought and the ecology in the zone are well-known, and the appropriate recommendations and scientific studies exist. However, for the most part they are violated.

Summarizing and analyzing the materials accumulated by the two expeditions, we consider it necessary to propose the following measures for solving this crisis.

First and foremost it is necessary to resolve the problem of filling the small and large rivers, the ponds, and the reservoirs in order to provide water (for drinking, daily, and industrial needs) to the villages, cities, and rayons centers.

As previously, we devote very great significance to irrigation, albeit with water of good quality. It is necessary to irrigate 20-25 percent of the agricultural lands (there is not enough moisture to irrigate more), primarily vegetable and fodder crops.

The production association of Moldovan Water Management deserves strong reproach for delaying a resolution to the problem of irrigating the south of the republic. The creation of the Tarakliyskiy irrigation system was begun not with the installation of powerful water works on the Dunay and equipment for supplying water, but with the immediate construction of an irrigation system and a reservoir and canal, that is, with the end. As a result, more than 100 million rubles went down the drain, as they say.

Today scholars are proposing various ways to supply water to Lake Kakhul and to the Tarakliyskiy reservoir, to use the waters along the Prut, and to carry out other measures. In our view, other means of supplying water should also be used for a final solution of this problem. It is possible to set up small water works, even if only temporary ones, to provide water to the farms near the Prut and the Dunay. Otherwise we will see paradoxes of

the following sort: The corn and other crops are dying of drought on the "Sovetskiy Dunay" kolkhoz [collective farm] (in the village of Dzhurdzhuleshty), and the Dunay flows by at a distance of 300-400 meters. Or another example: Lake Beleu, which is located on an international preserve, is completely dried up and nearby... flows the Prut.

Ponds should be constructed out of the large and small gullies and valleys of the rivers. We cannot permit these waters to leave the territory of the republic carrying off millions of tons of fertile earth.

We consider it necessary to make fundamental changes to the structure of livestock breeding in the zone. The breeding of sheep is one of the most profitable sectors here. Sheep possess high adaptability to this zone, are able to make good use of almost all the byproducts of agriculture, and even contribute to an improvement in the ecological situation.

In the past, this was the republic's leading sector, especially in the southern zone. It is enough to say that in 1864 there were 240 sheep per 100 people in Bessarabia. As a result of concentrated clearing of the land and poor treatment of the sector, by 1940 the number had gone down to 14 head per 100 residents. And two more figures: In 1961, there were 1.738 million sheep and goats on all types of farms; in 1987, only 1.253 million remained.

In our view dairy farming, in both the public and private sector in the south of the republic, should be developed only within a framework permitting the local population to be provided with goods. Fattening of cattle can only take place on those farms where there is irrigation or on overflow lands.

In conjunction with the complicated ecological situation in the southern zone, there must be a universal transition from spray-cleaning to a dry method of removing dung. In addition, it is necessary to halt the construction of large animal breeding plants and to break those that exist down into smaller units where possible. Swine and poultry production in the zone may be designated commodity production, but they should develop in accordance with the presence of mixed fodders.

The same decisiveness and insistence with which all the plots of natural lands on slopes were cleared should now be used to turn them to the breeding of sheep. From 10 to 20 percent of the cleared land, especially on slopes, should be grassed over with perennial and annual grasses.

In the southern zone of the republic it is also advisable to change the structure of acreage for field crops—to significantly decrease the proportion of row crops, expanding the winter field in the process. Together with wheat, winter barley and triticale are of significant value. Modern varieties of these crops are distinguished by high productivity and resilience to frost, more fully and

rationally use the precipitation of the first half of the year, and offer high-quality fodder.

Peas are of significant interest for the zone. Such drought-resistant crops as grain sorghum and millet, Sudan-grass, weedy Sudan-grass hybrids, sainfoin, sweet clover, and others have been undeservedly forgotten. They are all able to offer high yields. For example at the Kaushany crop testing station Sudan-grass and weedy Sudan-grass hybrids gave on the average 108 and 106 quintals of dry weight per hectare respectively over the years 1987-1989.

Special attention in this zone should be devoted to alfalfa and the production of its seeds. On overflow lands, in recessed areas, and with irrigation alfalfa does not have any equal for productivity. It should also be remembered that industrial production of alfalfa seeds in the zone creates real conditions for reducing processes of erosion and increasing the soil's productivity.

Viniculture should not be forgotten here; first-class wine grapes and table grapes can be obtained every year. Horticulture of stone pit crops offers goods results, primarily peaches, apricots, and nectarines.

It is advisable to do everything to develop processing of agricultural and livestock production. Construction of small workshops and processing lines should be encouraged directly on the farms.

Fundamental changes in organization of land use on the zone's farms in regard to the contour of the land and other elements of agricultural landscaping are of decisive significance for halting processes of erosion and minimizing the negative influence of the drought. It is necessary to reforest the steep slopes and gullies that are most dangerous from the point of view of erosion. All the regions of the zone already have rich experience from that point of view. It is necessary to create a so-called "forest latticework" on all agricultural lands more than anywhere else in the zone. Fields bordered by forest strips are not as affected by water and wind erosion, and the crops suffer less from drought.

World practice as well as numerous examples from our republic show that an important means of fighting erosion and wind damage to the soil is minimal plowless and energy-saving means of tilling the soil in combination with the use of optimized doses of organic and commercial fertilizers.

A whole complex of organized and technological measures in agriculture should be part of scientifically-based crop rotations that encompass perennial and annual leguminous crops. Only such crop rotations can save the soil from the progressive loss of productivity, raise the stability of agriculture, and minimize the negative influence of the drought.

Implementation of these and other measures will significantly change the ecological situation in the south of the republic and to a great degree resolve the economic and social problems of the countryside.



## POLICY, ORGANIZATION

### Price Committee Official Discusses Public Compensation

914D0137A Moscow TRUD in Russian 2 Feb 91 pp 1-2

[Interview with A.A. Krasnopivtsev, deputy chairman of the USSR State Committee on Prices, by TRUD political observer V. Golovachev: "We Will Not Emerge From the Crisis Without Victims"]

[Text] What are the principal approaches to solving price problems? What can be said about compensations? We began our discussion with Deputy Chairman of the USSR State Committee on Prices A.A. Krasnopivtsev with these questions.

[Krasnopivtsev] The price system, which is twisted and distorted to the point of being paradoxical, and reflects neither the real, socially necessary expenditures nor the relationship between supply and demand, is now a powerful impediment to the movement toward the market and the development of the economy and, moreover, it is contributing to its decline and destroying incentives for increasing the output of food and industrial consumer goods. Whether we like it or not, the price reform is objectively inevitable. It is another matter that it must be conducted in such a way as to reduce to a minimum the negative consequences to the population.

[Golovachev] Specifically how much will the prices rise and what will be the system of compensation? Why not tell this to the people honestly and openly?

[Krasnopivtsev] This question is not as simple as it might seem at first glance. Even specialists cannot always reach a common opinion. Should price controls be removed all at once or in stages? Under conditions where the market is far from balanced, when there is no competition, monopolism and the general deficit flourish, and the removal of price controls would mean that they would increase many times over, which would be a catastrophe for tens of millions of people. We suggest conducting the reform under control, fully compensating the population for all of the increase in the cost of goods.

[Golovachev] But how will that look in practice?

[Krasnopivtsev] There are different variants here. For example, there is this approach. We know the quantity and kinds of goods from state resources sold in a given republic. Higher state retail prices for them will produce a certain sum of revenues from the sale of these goods. This is easy to calculate. All this money should be turned over to the population. And not after the price increases but before them, in advance of them. For many people are living from hand to mouth, and therefore people must not be placed in a difficult position.

[Golovachev] According to what principle will the compensations be distributed? To everyone equally or on the

basis of an analysis of the so-called "consumer basket"—with respect to children, the able-bodied population, and retirees?

[Krasnopivtsev] This will be decided by the republics. It is important not to violate the principles of social justice, to make sure that the underprivileged are not the ones who suffer most, and to make sure that all of the money obtained from centralized price increases, right down to the last ruble, is returned to the population.

[Golovachev] How large might the per-capita sums of compensation be?

[Krasnopivtsev] I think they may vary in various republics. Because both the minimum standard of living and the socioeconomic conditions vary in various regions.

[Golovachev] But still could you give us even an approximate notion of the compensations—R30 or R40 per person?

[Krasnopivtsev] I think they could possibly be R30 or R40, and in some places perhaps even R50-60 per person. If you multiply the sum by the number of family members, you end up with a significant increase. But, I repeat, all this must be determined by the republics themselves. I think the general decision on prices will also be made collectively, after discussion in the Federation Council.

[Golovachev] Rumors are spreading throughout the country that vodka will cost R22.5 and meat—R9. What can you say about that? What are the rough calculations? What is the scale of the price increases? Will the subsidies be retained?

[Krasnopivtsev] The subsidies will be partially retained. Otherwise, for instance, the price of meat would indeed have to be raised to R9.5 per kilogram. (There have been such suggestions, incidentally.) Yet there are dozens of large cities where the price of meat on the market today is R5-7. We must not artificially stimulate the price increases here. If we settle on one of the variants of meat prices within the range of R7, the subsidies for meat products will be about R20 billion (as compared to R70 billion under current conditions).

It is inexpedient to raise the price of vodka. This would mean restoring the distortion between the prices of vodka and sugar. On the whole, food prices—according to some variants—would have to be more than doubled and the price increases would be less for a number of industrial goods, say, from light industry.

[Golovachev] Will there be items for which price increases are planned?

[Krasnopivtsev] Of course. For example, items made of artificial fur and synthetic fabrics, as well as the fabrics themselves, and also a number of others.

[Golovachev] And what about gasoline, for example. There are always rumors about its price going up.

[Krasnopivtsev] No, it is not planned to increase gasoline prices.

[Golovachev] How much will the prices of passenger cars increase?

[Krasnopivtsev] Again I shall refer to one of the variants of the calculations. According to it, 1.5-to 1.7-fold. But the prices will still be less than half what they are on the "black market."

[Golovachev] And, finally, the main issue—grain. This is bothering everyone.

[Krasnopivtsev] Grain is very inexpensive in our country, which shows above all the devaluation of the labor of peasants and workers, and it does not stimulate efficient use of grain products. If we raise prices threefold (in keeping with one of the variants) it will still be a lot cheaper than it is abroad.

[Golovachev] Let us return to the question of compensation. Which products will involve compensation when prices are raised?

[Krasnopivtsev] The list of these products should be coordinated among the republics. And, of course, state compensation may be given only for goods sold to the population from state resources. Obviously we must not provide compensation for the higher prices of motor vehicles, high-quality radio and television equipment, video equipment, and so forth.

[Golovachev] Where will the compensation be paid?

[Krasnopivtsev] To workers—at work, to pensioners—where they receive their pensions, to dependents—in the place of employment of the breadwinner, and so forth. Compensation will be paid monthly.

[Golovachev] Will there be a special payment department or will the compensation be included in the wages, pensions, and other payments by increasing them?

[Krasnopivtsev] This question is being discussed. But in any case the compensation must not be liable to taxation.

[Golovachev] Thank you, Aleksey Alekseyevich, for the conversation. I think the readers will be interested in learning about the position of the State Committee on Prices and several approaches to the price reform. This is a very important subject. We shall continue to discuss it on the pages of TRUD, presenting various viewpoints.

## FOOD PROCESSING, DISTRIBUTION

### Food, Businessmen from Germany Arrive in Ukraine

91P50094A

[Editorial Report] Moscow IZVESTIYA in Russian 3 Jan 91 Union Edition on p 1 carries a report entitled "Food from Germany for the Ukraine" which states that food aid from members of the Ukrainian community in

Frankfurt-am-Main is arriving. The members have requested that the three trailers of food for the cities of Uzhgorod, Mukachev, and Ivano-Frankovsk be distributed by representatives of the local organizations of Rukh and the Ukrainian "Greens" Party. In addition, on 3 January the city of Brest expects the arrival of a food caravan from a Catholic group in Karlsruhe. The food is intended for areas affected by radioactive pollution from Chernobyl and the Chernobyl victims at children's institutions in Kiev. At the same time, a delegation of German businessmen will be arriving in the Ukraine to promote direct ties with Ukrainian entrepreneurs.

### Store Donates to Tashkent Needy

91P50093A

[Editorial Report] Moscow IZVESTIYA in Russian 8 Jan 91 Union Edition on p 2 carries an article by Andrey Orlov from Tashkent entitled "Everything's a Gift in the Store," in which he describes an unusual store in that city where many consumer goods are given free to mothers with many children, to pensioners, to invalids, and to those indigents who can show certification from the social security department. Called "Dar" [gift], the store could not exist without the active support of local light industry enterprises whose worker collectives decided to donate products, markdowns and seconds, worth tens of thousands of rubles.

## PERSONAL INCOME, SAVINGS

### Third of Udmurts Live Below Poverty Level

914A0395A Moscow IZVESTIYA in Russian 1 Feb 91 Union Edition p 2

[Article by Alyans Sabirov: "Below the Poverty Level"]

[Text] Izhevsk—One-third of the population of Udmurtia have incomes that do not ensure a subsistence minimum.

These figures were cited at a meeting of the Supreme Soviet of the Republic of Udmurtia. As is known, the minimal consumer budget is the foundation of social protection of the populace. Fifty types of foodstuff and more than 100 items of clothing and objects for cultural and household use are included in the buyer "basket." On the suggestion of local trade unions, alcoholic beverages and tobacco were included as vitally needed goods.

Even if we do not take recent price increases into account, the cutoff for low income is considered to be no lower than 140 rubles. This means that about half a million people fail to attain the subsistence minimum and actually live below the poverty line. More than 220 million rubles are needed to defend the poor strata of society. However, the budget of Udmurtia has no such funds for helping retirees, disabled people, families with many children, single senior citizens, students, and, finally, the unemployed, and such funds cannot be obtained from anywhere. It is necessary to find at least 48 million urgently for those whose situation is most lamentable.

**Shcherbakov News Conference on Employment Issue**

914F0133A Moscow IZVESTIYA in Russian 6 Feb 91  
Union Edition p 3

[V. Romanyuk report: "There Is Enough Work for Everyone Here..."]

[Text] An all-Union seminar on the practical implementation of the fundamentals of legislation of the Union SSR [Soviet Socialist Republic] on employment of the population began its work in the city of Lyubertsy near Moscow.

Taking part in it are workers of state employment service institutions, industrial associations of employers, trade union leaders, and scientists.

During an intermission, V. Shcherbakov, chairman of the USSR State Committee for Labor and Social Problems, held a press conference. Answering questions of the IZVESTIYA correspondent on the outlook for an increase in the number of unemployed during the transition to a market economy, he declared this transition could also be implemented without massive unemployment.

But how does the situation really look today? For the first time we received an absolute reduction in the number in 1987, when there was no talk about the labor market. Today, about two million persons have a right to claim unemployment benefits. How much can the number of unemployed increase? Here are the calculations: Today in our country the manpower surplus is 15-20 percent (on the order of 28 million persons), and the market economy, undoubtedly, will gradually displace them. But, simultaneously—on balance—there are 12 million jobs that are not filled. For all practical purposes, the second shift is not filled to capacity (the shift index is 1.3). The sphere of services will require influxes of a large number of people. Taking all of this into account, it can be said with confidence that a job will be found for everyone in a market economy.

Today, it is apparent that only a market will be able to ensure a person economic and social freedom, and independence from the imposed structures of distribution. In contrast to the collection of measures previously in effect that were primarily of an administrative nature, a system will have to be established of mutually coordinated and legislatively reinforced economic, legal, and social guarantees, and an effective mechanism for their implementation will have to be developed. For able-bodied and economically active citizens, the new social policy makes it possible, to the extent of one's work contribution, to increase living standards and to create equal conditions free of administrative chains. As for those who are still unable or who no longer can work at full capacity, they will be given direct material support. This kind of a tactic can be implemented only at the expense of a related economy of resources directed at satisfying free services in housing, health care, and

education. It is important that paid services in these areas are not introduced instead of, but only in addition to the existing free services.

Rejecting unemployment as an instrument of increasing efficiency in principle, the new approach envisages the maintenance of full employment, but with an increase in its flexibility under conditions of a structural perestroika of the economy. In principle, in the very near future, we will have to transfer three to four million workers from production and management into the sphere of services, fill 7-8 million jobs in the second and third shifts, and man vacant work positions in the northern and eastern regions of the country with specialists.

The structural perestroika of the employment of the population is a very complicated process. For example, the conversion of the defense industries. To switch from military equipment to domestic machines, electronics, and the like is not easy, and the task precisely is not to dissipate highly qualified cadres and to preserve high labor efficiency. Something like this will have to be accomplished in the construction complex of Western Siberia. After gas lines are laid, the people will have to turn to the construction of housing, schools, and hospitals. This will require a fundamental retraining of the cadres.

Are the employment services ready to perform the new functions? For a long time, the job placement and population information services simply "traded" in open job positions, but now it is necessary to manage the employment process. In connection with the transition to a market, the question of social protection of the poorly provided for strata of the population becomes especially acute: youth, large families, pensioners, and disabled individuals. Determining a minimal consumer budget becomes an urgent task, on the basis of which calculations will be made in the indexation of incomes and compensation for price increases. All of this is also important for the standard of living of the population and individual social groups, and for that threshold of poverty at which tens of millions of persons find themselves. Adoption is expected in the near future of a ukase by the president of the USSR on the principal formations of a minimal consumer budget.

Today, highly qualified cadres are needed, especially for the employment services. But there is not one higher educational institution in the country where they are being trained. On the average, three persons per 100,000 residents are working on questions of job placement, but in many countries, it is 15-20 persons, and more. And it is not just a matter of the number of employees—the system is important. Our employment centers will have to master new methods of work. Their financing was transferred this year to the jurisdiction of the republics. Ninety percent of the resources of the employment fund are also being transferred, and the remainder is being turned over to the Union program. But then, six republics in which the employment problem is especially acute

(Central Asia and Azerbaijan) did not allocate any resources for these purposes at all. In some regions, even those small job placement services that exist are being eliminated. The exchange is in fact a place for the sale of jobs and work hands, although the question should concern the job placement process.

The echoes of an unabating war of laws also could be heard at the all-Union seminar of specialists in the field of employment (and it will last four days). In particular, Union legislation provides for the payment of unemployment benefits over three months, but the Russian, over six months. In this regard, V. Shcherbakov voiced the concern that many will want to take advantage of this law and enjoy life with the benefit. Which I personally doubt very much. On the other hand, efforts of the republics to deprive the Union funds of resources and direct more of them to unemployment benefits seem unjustified at a time when the center is trying to stimulate employment, which, of course, has more promise.

#### **Goskomtrud Official on New Employment Legislation**

914F0120A Moscow PRAVDA in Russian 19 Jan 91  
Second Edition p 4

[Interview with V.F. Kolosov, chief of the Employment Main Administration of the USSR Goskomtrud [State Committee for Labor and Social Problems], by N. Mochalina: "Unemployment or a Labor Market?"]

[Text] "Personnel are being cut back at our enterprise. And I am one of the ones affected. But only three years were left until my pension. How and where will I find a job now? I think there will be many persons like me in the transition to the market."

"Our enterprise is being shut down because it is unprofitable. They let us know two months in advance and paid an allowance for three months. And they tell us to go wherever we choose. How do we live?"

The market, personnel reduction, unemployment... More and more letters such as these, written by persons who associate these ideas with their own fate, appear in the editorial staff's mail. Previously they knew that the right to work was guaranteed by the state, but now... Everyone realizes that enterprise managers are forced to be ruthless under the new conditions: if you want to survive in the market, do the work of two persons. But what are the persons left without a job going to do? Whom do they ask for help and protection?

We ask Valeriy Fedorovich Kolosov, chief of the Employment Main Administration of the USSR Goskomtrud, about a solution to the unemployment problem and about social protection for citizens.

[Kolosov] The USSR Supreme Soviet has approved the Fundamentals of Employment Legislation of the USSR, which we have been working on for over a year and a half. Dozens of scientists, experienced associates, and

specialists from all the union republics took part in drafting the law. Four expert opinions from the International Labor Organization were received for this law. Essentially it was called upon not only to shape a labor market—in my view, this is our very first law on market relationships.

It should be pointed out that no buying and selling takes place firsthand in the labor market. It just brings the person who is looking for work in accordance with his capabilities together with the persons who require manpower. And in this sense the labor market should be viewed as a system organized by the state for social protection. The principal regulator here is the state employment service, which is called upon to provide support for the individual, to help him find a job, and to acquire or change his vocation, that is, to raise him to the level required by a sector of the national economy.

[Mochalina] Judging from the letters, people are frightened by these words themselves—"the labor market." After all, most persons know about this from hearsay...

[Kolosov] The municipal or rural employment center will be the basic component in the system. The person looking for work is met there by an adviser, he will propose a test and select an alternative. Special schools will be set up for persons who do not possess sufficient knowledge and skills; we do not have such schools at present, but in Sweden, for example, they have 100 educational institutions of this type to provide vocational training for the adult population. The students will be paid from a state fund, and it is planned to include the training period in the person's length of service.

Nevertheless, the local employment centers will not be able to resolve the problem completely all the time. For this reason, coordinating organs—oblast, republic, and national management—will be established at all levels. The national administration will set the policy in the labor market. But it will be shaped on the basis of an All-Union state program in which employment forecasts are taken into account, the minimum amounts for allowances and stipends are set, and the opportunities for distributing manpower resources among the republics are determined.

[Mochalina] The editorial staff has received a particularly large number of letters from women, young persons, and representatives of the creative and technical intelligentsia. The writers assume the worst unemployment will be precisely in these categories... How could you give them some hope?

[Kolosov] It is proposed to ensure that social protection is provided for young persons, women, and citizens close to retirement age every year in each republic and oblast. Special work places will be established, and quotas will be set for each of these categories in state enterprises as well as cooperatives and leasing collectives. This machinery is incorporated in the law.

[Mochalina] But will it work? After all, dictates from the top are not acceptable in market relationships. They will not want to take people for work—and that's that...

[Kolosov] They do not want to now, either. For this reason, influence must be exerted by economic methods. What has been provided in the law with respect to disabled persons, as an example? If an enterprise did not want to reserve work positions for disabled persons, it has the right to choose: either put an annual wage into the employment fund for each work position that is not created or open this position anyway. And the state will have the funds to establish enterprises for disabled persons.

In addition, small enterprises will be developed now. Employment can be provided in part with them as well. Finally, it is planned to introduce certain tax benefits in 1992 for those employers who want to develop flexible forms of employment, that is, to enable women to work an incomplete work day or incomplete work week if they wish.

[Mochalina] But if a city resident who has been left without work wants to move to a rural area?

[Kolosov] Today in the Nonchernozem Zone alone there are thousands of vacant houses and the kolkhozes and sovkhozes have a tremendous need for people. The employment service will be concerned with their replenishment in the future as well. While the so-called agricultural resettlement program is in operation now, contract forms will be applied after adoption of the law.

[Mochalina] But people are afraid they will lose their residence registration and apartment in the city...

[Kolosov] Without a housing market, including a solution to the registration problem, we will not establish a labor market, either. For this reason, in adopting a law on employment, we have to adopt the following market laws right away...

[Mochalina] Let us assume that personnel reduction is under way at an enterprise. Aside from discharge pay, doesn't the administration bear another responsibility for a person who is discharged?

[Kolosov] In addition to the norms that are already in effect (a two-month notice and retention of wages for three months), a new one is planned: if an employer has not enabled a person to acquire another related vocation or increase his skill over a two-year period, he should pay for the cost of training the employee who is discharged. The rest is up to the state.

[Mochalina] What if an enterprise is shut down?

[Kolosov] In this case, the state service has been given the right to suspend a mass dismissal for up to six months. And the employment fund will set aside money to support these people. Over a six-month period, they can be retrained or work can be found for them. A system of tax benefits and credits is also being proposed

for those enterprises which establish their branches on the base of production facilities that are being shut down.

[Mochalina] But can a person who is two or three years away from his pension count on real assistance?

[Kolosov] The Fundamentals provide for an unemployment allowance over 26 calendar weeks as a minimum standard. For those persons who have completed the length of service for a pension, the duration of payment is increased by two calendar weeks for each year over this length of service. In other words, the more a person works and the older he is, the higher the level of his social protection. He has earned the right to financial support from the state for a longer period of time. At the same time, persons who have earned the right to an allowance for 52 calendar weeks are essentially receiving the opportunity to retire a year sooner.

The norms of social protection are different as well. As a minimum, the payment will be 50 percent of the basic wage for the former work position. But its level is increased with an increase in the length of service. In addition, each union republic has the right to adjust these payments itself.

[Mochalina] The discussion on this is over, although the questions taken from readers' letters remain. In particular, the people want to know what the labor exchanges already being established in the country are like. I was also sent to one of these exchanges. But this is a separate discussion.

### **New Law on Employment 'Could Be Worse'**

914F0125A Moscow *RABOCHAYA TRIBUNA*  
in Russian 29 Jan 91 p 1

[Article by Aleksandr Krotkov: "Commentary on the Law: Wait Another Half Year for the Benefits"]

[Text] Because of the other attention-catching events, the introduction last Friday, 25 January, of a Law on Employment was only noticed by a few. This happened despite the fact that the text of this document (its full title is "The Basic Law of the USSR and the Republics on Employment of the Population") was published in several central newspapers. In the opinion of specialists, however, this newborn may influence the budgets of some citizens of our country to a much greater degree than the replacement of large denomination banknotes, and may affect the political stability of this great power no less than the situation in the Baltics or in the Persian Gulf.

For our readers' information: As of 1 December last year there were two million unemployed in the Union—and that is only what is reflected in the data of the USSR Goskomtrud [State Committee for Labor and Social Problems]. With the development of market relations this number may grow dramatically.



In many respects this law may be seen as an important step forward in comparison with what we have had until now. For instance, for the first time the law defines an unemployed person as one who does not have work and earned income for reasons beyond his control. However, to be officially recognized as unemployed, you have to be registered with the state employment service, which is supposed to offer you a suitable job. That is, a job that fits your professional experience and takes into account your age, general and professional length of service, as well as the accessibility of the new place of work from the point of view of transportation.

Another principal clause: Now USSR citizens may choose not to work if they so wish—the law prohibits administrative or criminal prosecution for this.

For the first time Soviet citizens are permitted to look for work abroad. As long as the law of the foreign country of destination permits work by persons who are not residents of that country. And one more "small detail" (not mentioned in the law, though): as long as one has an opportunity to go abroad...

The basic structure of the employment system in the USSR is now supposed to consist of appropriate rural and city centers where, ideally, you will be met by a consultant, offered a vocational test, offered a suitable job, or, if such is not available, offered vocational training in another area. And all of that free. The state pays for everything.

The same state is planning, with the help of tax preferences, to stimulate the creation of new jobs in "regions with excessive labor resources." Special economic incentives are designed to make enterprises open jobs slots for people with disabilities—for which certain quotas are being introduced. Otherwise the enterprise will have to pay into the employment fund an equivalent of an annual salary for each job it falls short of the quota.

As for the size of unemployment benefits—the basis for calculating this benefit became the subject of embittered battles between representatives of the state ministries and the trade unions a year and a half ago (this is how long it took for this law to be born)—a certain compromise was achieved here. The size of a benefit will be calculated as a percent of the base salary (no less than 50 percent) averaged over the last three months of work—the trade union version. Unemployment benefits are subject to indexation. It will be paid, however, not for a year, as the trade unions wanted, but for a minimum of six months (26 calendar weeks) as the USSR State Committee on Labor had insisted.

The unemployed, however, will be able to receive a little more if they decide to engage, through the employment service, in so-called public works, the pay for which is guaranteed to be "no less than the unemployment benefit plus 15 percent." I underline here that they will be able to, because all of that is in the future.

The main "surprise" of the Law on Employment is that its fourth part, which deals with social guarantees, is going to become effective on 1 July this year, that is, almost six months later than other parts of this law. Why?

The answer is simple: There is no money. Moreover, state contributions to the State Fund for Employment Assistance will start only on 1 January 1992. Until then it will be financed by mandatory contributions from enterprises, organizations, and cooperatives calculated as one percent of the fund for labor remuneration.

It could be worse. At the latest session of the Union parliament V. Kucherenko, chairman of the Soviet of the Union Planning and Budget-Financial Commission, insisted that the new law should go into effect at the earliest in one year. Therefore a half year delay, the planners reassure us, is already a serious concession...

How will the unemployed themselves look at this "concession," though? Will they have enough patience and financial means to wait another six months for the lawful unemployment benefit, with current inflation being the way it is? And how will they behave when their patience runs out?

### **General Confederation of Trade Unions Meeting Reported**

*914F0117A Moscow TRUD in Russian 19 Jan 91 p 1*

[Article by V. Karpov: "No Insincerity or Posturing"]

[Text] **A regular meeting of the Presidium of the Council of the USSR All-Union Confederation of Trade Unions was convened.**

The tenseness of the country's situation seems to have imparted purposefulness to the meeting of the Presidium of the Council of the VKP [USSR All-Union Confederation of Trade Unions], which G. Bashtanyuk conducted. Whether or not it came about by accident, most of the questions placed on the agenda were associated in one way or another with the most critical socio-economic matters. Among the basic ones were conversion to market relationships and preparation, under the new conditions, of an agreement for 1991 between the USSR General Confederation of Trade Unions and the USSR Cabinet of Ministers. The draft of the document, which, frankly, was unusual for us, was reviewed and approved.

The trade-union version of the agreement does not include, as could have and certainly would have been included previously, the notorious paragraphs about organizing socialist competition or the "campaign for savings" of each cubic meter and each gram. Everything was as close as possible to the interests of the person and his real problems. What were the goals that the trade unions insisted upon? For example, "establish a 40-hour work week," "establish compensatory pay in case of a one-time rise in state retail prices for commodities and schedules for services, in the amount of 100 percent..."

and "assure the right of needy citizens to obtain free state housing and preserve a guaranteed minimum of allocated housing...within the limits established by the legislation of the Union republics, but no less than nine square meters per person. Preserve the existing level of payment for an apartment and utilities...." The chapter on protecting labor and the ecology provides, for example: "review the norms for the manual carrying and moving of heavy loads by women and make them conform to world practice."

As you see, there is no eyewash or empty words here—everything is specific, actual and clear. (Although some things still will, of course, be revised.) We speak here in essence about the development of a new and modern policy for trade unions. And insincerity with or posturing before workers or the government will not get by and will not be accepted by working people. For too long all of us have tolerated a policy of compromise, allowing it to survive. The specificity of the document raises hope. The trade unions, let us say, propose to the state its own variant of the "consumer basket." The work has been done, take my word for it, painstakingly. There were more and more supplements which stipulated a list of foodstuffs and manufactures that are in large-scale demand, for which, in the VKP's opinion, state retail prices should be retained.

But the chaos of the market is such that in some ways, alas, this list has become outdated. The price of certain textiles, as was noted at the presidium, has been raised. This is why there is doubt—the VKP had not approved the draft agreement earlier, when there was no Cabinet of Ministers yet, as was stated at the meeting—that it was accepted amicably. Problems still remain, and they must be solved one way or another. Does not the proposal about a 40-hour workweek in particular appear to be publicity—this question also was raised. They consulted and decided that it was not. At least because of the fact that this will allow the number of work places to be increased in the long term.

And this question seemed momentous to us because a reevaluation of former values and views was going on. Again and again speakers on one problem or another put the question: is there not some populism here? There is not. Instead of the former passion for holding meetings, a businesslike manner and deliberation appeared. This is why the trade unions have paid attention to the importance of activity by the parliament of deputies and to the enlistment of science in working out various solutions....

Whatever the question on the agenda, it was in essence a wide-ranging, comprehensive matter, whereas not so long ago there were "peace and acquiescence." Well, who would think that such passions would rage around social security? But today this question is most urgent for trade unions. In delivering his report, Chairman of the USSR Social Security Fund Administration G. Sukhoruchenkov spoke about the fact that enterprises are not prompt in transferring their contributions into the pot. Elements of parochialism, egoism, and a desire to put

everything in just one's own pocket can turn out to cause irreparable losses for workers. In the final analysis—for everyone. And, while people in the field are arguing and pondering over whether to give to the social security fund or not, the trade unions' health-resort system, which needs a state subsidy, as was said at the meeting, is collapsing. And how can workers be helped to buy tickets when there is an unprecedented increase in their cost? If only the problems were limited to processes of promoting better health....

A lively discussion flared up in the hall in regard to the report on tactics for trade-union actions in the critical socio-economic and political situation which VKP Council Secretary S. Kramarenko reported. The aim is clear—to protect the workers' interests to the maximum, to strive to create a system of social guarantees so that people may be assured about tomorrow. But what should one focus attention on primarily, is it necessary to get everything at once? A search for priorities, that path which the trade unions must take in the near future, went on at the meeting. Each of the speakers had his own agenda and his own prescription for curing social ills. But the proposals that were sounded most persistently of all were primarily about the fight to see that wages correspond to the increase in prices, to get indexation of income so that each worker would have a normal standard of living....And the main thing is not to scatter our efforts but go for the main thing.

The Statute on Employment of the Population had just been adopted at a USSR Supreme Soviet meeting. But nevertheless this question was dealt with separately at the presidium meeting. Because right now it is important to "put the statute into operation" as quickly as possible. USSR Goskomtrud [State Committee for Labor and Social Problems] Chairman V. Shcherbakov stated his proposals and desires at the meeting. It was decided that trade unions and the state committee, forgetting former differences, must act in concert here, in harmony. The fact is that harmony of views is rather rare in our conflict-harried state.

Presidium members must also take a look at still another nontraditional topic: the conflict at the Moscow Experimental Knitwear Clothing Combine of Glavmattekh-snab. Its essence is that the enterprise's collective and management have declared themselves to be the owner of the property. Hardly in the spirit of the times, but....There is one "nuance" in this incident. The combine is the property of VKP, but is it legitimate to claim someone else's as one's own? Combine director G. Beloshapkin, who was invited to attend the meeting, did not find a clear answer to this question....It must be looked into.

### **Roundtable Discussion of Recent Trade Union Legislation**

*914F0128A Moscow TRUD in Russia 31 Jan 91 p 2*

[Article by A. Kozlov: "Were the Expectations Justified?"]

[Text] The persistent and prolonged struggle of the trade unions for a legislative act that would give them a reliable legal basis for social-protection activity came to an end with the adoption by the USSR Supreme Soviet of the law "On Trade Unions: The Rights and Guarantees of their Activity." Trade union workers are studying the document closely, and they are analyzing how to use this document most effectively in their work.

The newspaper TRUD and the Moscow Federation of Trade Unions (MFP) convened a "roundtable" of chairmen of some trade union committee primary organizations and gorkoms [city party committees], and other trade union officials and lawyers, to exchange opinions on this score. What did the discussion show?

"The law, for which we fought for so long, is definitely a victory for the trade unions," thinks V. Kochebin, chairman of the trade union committee of the production association Central Telegraph, "and it is one more step on the way to establishing a rule-of-law state. What did I personally, as the chairman of a trade union committee, get from the adoption of the law? I can now talk with the administration in judicial, legal language..."

They really waited for the law. Especially the chairmen of the trade union committees and the trade union's most active members. The "pre-market" situation placed too many problems before the trade unions, and it demanded decisive actions from them in the interests of the workers. In general, as participants in the "roundtable" noted, the law appeared in time.

"In our trade union," said Yu. Timofeyev, chairman of the trade union of workers of the mining and smelting industry, "this legislative act was met with approval. There is only one fact. The law on enterprises, in essence, took away from the trade unions the right to conclude a collective agreement. And then Article 9 of the law on trade unions helped to correct this 'misunderstanding.' But take the third chapter of the law—concerning the guarantees of our rights. I consider it to be vitally important for all work. Especially now under the conditions of a transition to market relations in the economy."

The position of V. Kochebin and Yu. Timofeyev was shared on the whole by the other participants of the "roundtable." Those who wanted to see a legal instrument in the law, in their opinion, received it. Comparing the law with the documents that previously regulated the activity of the trade unions, they noted that many of the provisions in it appeared for the first time. For the first time, all six articles of the first chapter were formulated, and, for the first time, many provisions of the second and third chapters are formulated in such a clear definition. For the first time, a number of articles (1, 2, 3, and others) are brought into accord with international normative documents.

But, still, many "roundtable" participants criticized the legal act quite severely.

V. Ulyanov, chairman of the gorkom of the trade union of workers of state establishments: I thought so before, and now, after the law has appeared, I remain of the opinion that this legislative act was generally unnecessary. Trade union activity is guaranteed by the USSR Constitution, and by a whole series of other acts. This document only limits the sphere of our work. It "adjusts" the trade unions to the legal imperfection of our state.

M. Nagaytsev, deputy chairman of the MFP: The law on the trade unions is a "shaft" that can be "driven" into the narrow framework of dependence on organs of authority...

The polarity of opinions is justified to a certain extent, and it is based on the process of interpreting the legislative act, and its articles and provisions relative to specific contradictory conditions of the trade union organizations and trade unions. Apparently, there is also a lot of misunderstanding here... Take the statement of B. Kotlyarevskiy, chairman of the trade union committee of Printery No. 8 Soyuzblankoizdat and chairman of the printers' association. He believes that a number of articles in the law contradict others and, in particular, Articles 2 and 7.

"How is it," he said puzzled, "that it is written in Article 2 that all trade unions enjoy equal rights, but in Article 7 we read that only Union and republic trade union associations have the right of legislative initiative?..."

"But is it not necessary that anyone can come up with a legislative initiative who wants to?" V. Kochebin retorted. "Is it possible that we are not able to instruct the MFP to come out with an initiative and ask its leaders if it will do this?..."

Really, if we now look into trade union regulations in force, we find without fail a provision that the "primary organizations" of the trade union organs at the middle level delegate many of their rights, including the right to legislative initiative, to republic and other trade union centers, and to the VKP [All-Union Congress of Trade Unions]. The reason why trade unions are established: not to command trade unions, but to fulfill their social order and to defend their interests in the organs of authority.

A "paragraph-by-paragraph" analysis of the law by "roundtable" participants showed that trade union workers of the "primary organizations" at the middle level still have a lot to sort out before they master the mechanism of applying the law. Here is one example of unsubstantiated criticism.

V. Gruzkov, deputy chief engineer of the central communications and radio navigation center: There is a lot in the law, with all of its significance, that does not please me personally. Indeed, it is compiled in such a form that it restricts trade union activity to a great extent. The organs of authority, apparently, fear that under the conditions of market relationships trade unions will be a

powerful opposing force. Look at how our rights are undermined subtly in the law. Article 9. It is written in it: "Trade unions have the primary right of conducting collective negotiations with the administration, proprietor, or management organ empowered by them, and of concluding collective contracts and agreements, and controlling their fulfillment."

A "primary right" compared to whom? It was clear previously: Collective contracts with the administration were concluded by trade unions in behalf of the workers. But now, when they declared that they will firmly defend the interests of the working people by deed, and assert this with a fight, the organs of authority also tried to "soften" this firmness in the law.

Are such inferences correct? Is not the widespread habit of simple evaluations letting V. Gruzkov down? Let us read the second part of Article 9. "The administration, proprietor, or management organ empowered by them, are obliged to conduct negotiations on the conclusion of a collective contract, agreement, if the trade unions make such a proposal."

So, where is the infringement upon the rights of trade unions to conclude a collective contract? The problem in this case is in their maturity...

"Did this act," asked M. Antontsev, chairman of the gorkom of the trade union of workers of the radio electronics industry, "give us any kind of levers to oppose, for example, the five percent sales tax which was met negatively in the collectives, or the 'winding up' of prices?.."

Such attempts to affix one or another article as a pattern for a specific situation in trade union work are, so to speak, attempts at a "mechanical" application of the law. And this, very likely, is one of the significant miscalculations of a number of trade union workers. If M. Antontsev were less "sweeping" in critical pathos, I suggest he would find the answer he needs in Article 15...

Of course, the law is not free of serious defects, and not all articles and provisions are formulated the way that the trade union workers would like. And this is a consequence of those complicated processes that occur in our society. If one is to be frank, then there are organs and organizations today (the parliamentarians are not without sin here either) that are not interested in strong, independent trade unions, and, consequently, in a correspondingly strong legislative act that gives a legal basis for being independent and an opponent to organs of authority.

But despite all of the opposition and the attempts to "emasculate" the wording of the articles, the law was "upheld." Now, it must first of all be executed skillfully, and we must be guided by it in practice and in relations with administrators, organs of authority, etc. The task of the trade unions is to put its provision into practice knowledgeably and intelligently. Also, this does not exclude the prospect of improvement of the law itself.

True, just a little more than a month has passed since the adoption of this act and, perhaps, it is too early to talk about the practice of applying it. But, I repeat, it is necessary to master the mechanism for its application. The easiest thing to do, as the saying goes, is to criticize.

Although there are, I repeat, defects in the law, trade union workers arguably note the lack of clarity of some of the wording. Here is one example.

"Today, the contract system of acceptance for work is becoming the practice more and more," explained L. Popov, chairman of the trade union committee of the factory Luch. "The administration is doing this without the participation of the trade union. It defines for the specialist the conditions of work, pay, and benefits; that is, once again to the detriment of the interests of other workers. In general, the law did not eliminate all of the 'loopholes' through which attempts are being made and will be made to infringe upon the rights of the trade union committees and to 'push them back' from fulfilling their main function—the protection of the interests of the workers..."

"The law already exists," said A. Valkovoy, the supervisor of legal consultation of the MFP, "but the organs of authority still do not want to 'note' this. For example, it is written in the third part of Article 7 that 'normative acts that affect the work and socioeconomic rights and interests of the workers are adopted by state and administrative organs of management with a preliminary notification to appropriate trade unions of not less than a week.' But what happens? Recently, acts were adopted on a five-percent sales tax, an increase in prices, the pension fund, etc. Were they coordinated a week before, as is written in the law. No one even gave it a thought. It was introduced, and that is all—without coordination... And further. 'Notify a week before.' What is behind this wording? Will the trade unions be able in this short period to study the act, introduce proposals, refinements, and an alternative version. Not always by far..."

Although here also the stereotype of the old approach lets itself be felt. Was it long ago that trade unions refused joint composition of normative acts and other documents in conjunction with administration and party organs? And again, in fact, to call for this? Once again "to share responsibility?" The law grants them the right of definite control over this norm creativity, and it granted the right in different ways, up to and including strikes, to defend its point of view. Add to this their own legislative initiative..

And one more question was raised by A. Valkovoy in his speech. This concerns the right of trade unions to control the implementation of labor legislation and the right to demand the elimination of uncovered violations.

"Yes," he said, "the administration is obligated to examine the submission of a trade union organ concerning the elimination of violations of legislation and in the course of a month to report on 'the results of the examination.'" But there already are cases when the

administration manager, finding a suitable justification, refuses to eliminate the violation. The law, he says, does not talk about this. But what, is the collective to go on strike again?..

Indeed, the law is far from ideal. But, it seems that what must be seen in it most of all is that it will become the main lever in the fight of the trade unions for the rights and interests of the workers. As was emphasized by L. Sakharova, supervisor of the lecture group of the MFP training and methods center, a questionnaire survey taken in the center showed that only 10 percent of the trade union workers expressed themselves negatively with respect to the law. The general trend is that it is necessary. But in the opinion of the trade union workers, it must be earnestly "reinforced" with a package of legislative acts on labor, and it must be joined with similar laws that are being developed in the republics and with the KZoT [Code of Laws on Labor].

In general, only the first page of the "biography" of the new law has been filled in...

#### **Union of Worker Collectives' Resolution on Self-Management**

914F0122A Moscow *RABOCHAYA TRIBUNA*  
in Russian 23 Jan 91 p 2

[Resolution of Constituent Congress of Union of Worker Collectives: "Self-Management and the Market"]

[Text]

1. The Constituent Congress of the Union of Worker Collectives in the country notes that the extended dragging out of the truly democratic changes in attitudes towards ownership and the administrative system in the national economy has complicated and continues to complicate the situation throughout the country and is aggravating the conflicts between the ministries, departments, the administration and the worker collectives.

2. The congress expresses profound concern and alarm over the fact that such methods as a non-state system and privatization, which consolidate the means of production in the hands of the former nomenclature and rich businessmen, are being advanced as a condition for the development of market relationships.

The fact that the nomenclature has usurped authority within society and the economy does not diminish the constitutional rights of the people for ownership.

3. Those USSR laws which define the legal status of enterprises in a market economy impose especially severe conditions upon the worker collectives of enterprises in the state sector. The councils of worker collectives are deprived of all of the important functions associated with the administration of enterprises. At the same time, the rudiments of self-management for the worker collectives are eliminated and they are left with the role of serving as a hired work force.

4. The congress, in sharing the idea of transforming the USSR into a voluntary union of sovereign republics (states), believes that the work of enterprises of all branches without exception and their rights and forms of responsibility must be regulated by republic laws and by interrepublic agreements and USSR laws, based upon a new union contract. In support of this, the congress requires the president of the USSR, the USSR Supreme Soviet and the supreme soviets of the republics to undertake measures immediately aimed at preventing the introduction into operations of Section IV of the USSR law entitled "Enterprises in the USSR" and extending the operation of the USSR law concerning "A State Enterprise" and particularly the section on self-management for worker collectives. Moreover, the congress insists that the supreme soviets of the republics ensure that the republic laws and interrepublic agreements contain all of the legal norms required for ensuring the implementation of the following requirements:

a) the right of selection, by the worker collectives of all branches, of the forms of ownership and management and the right of each worker to the profit earned by him;

b) a prohibition against turning a state enterprise over to municipal subordination in the absence of agreement by the worker collective;

c) in the event a worker collective of a state enterprise exercises the right of complete economic authority, it will be extended the right of ownership of the results of its economic activity. In the process, the worker collective bears complete economic responsibility for the operational results of the enterprise. The authority of a worker collective is implemented through a general meeting (conference) and by the council of the worker collective. The regulations of the enterprise and the contract with a leader are approved by the worker collective;

d) in the event a worker collective is unable to exercise the function of economic authority for an enterprise, the state organs are authorized to assign a leader for the enterprise. In the process, coordination of the candidacy of the leader with the worker collective and the participation of the worker collective in administering the enterprise are viewed as mandatory;

e) the closing of an unprofitable enterprise is allowed when the worker collective refuses to accept the given enterprise as collective property without a redemption fee. In this case, measures for the social protection of all of the enterprise's workers should be guaranteed.

f) the mandatory nature of a worker collective decision with regard to the creation of various types of production associations and the non-acceptance of concerns and associations formed "on high" as a camouflaged form for the maintenance of ministries and main administrations for the acquisition of national property by the state machinery;



g) present the STK [labor committee council] with the right of a legal entity;

h) the work of party and other public organizations at an enterprise is regulated by a decision handed down by the worker collective;

5. The congress recommends that the worker collectives terminate all incidents involving the elimination of STK's at enterprises;

6. The congress tasks the council of representatives from the union of worker collectives throughout the country with presenting and defending the requirements of the present resolution in the higher organs of government in the republics and the USSR, while making use also of the law governing worker collectives.

The congress tasks the council of representatives with insisting upon the maintenance of those constitutional norms which recognize a worker collective as a part of the political system and which provide it with a legal basis for being the supreme (legislative) authority at an enterprise.

7. The congress addresses an appeal to all worker collectives asking them to support the requirements of the Constituent Congress of the country's Union of Worker Collectives. To motivate the people's deputies at all levels into implementing the decisions handed down by the congress. To prevent actions which inhibit the existing agreements and which infringe upon the interests of the economic partners.

8. The congress calls upon the worker collectives to step forward as competent members of the union established by the congress.

### Increase in Industrial Accidents Reported

914F0127A Moscow TRUD in Russian 31 Jan 91 p 2

[Article by Yu. Rogozhin: "One Explosion After Another"]

[Text] Neglecting occupational safety causes people's deaths.

December of last year saw an upsurge in accidents. There were approximately 20 percent more of them than in November. Let us refer to our traditional table of accidents.

| Industry               | Number of fatalities | Number of accidents |
|------------------------|----------------------|---------------------|
| Coal                   | 51                   | 30                  |
| Mineral mining         | 19                   | 3                   |
| Chemical               | 5                    | —                   |
| Metallurgical          | 4                    | 2                   |
| Hoisting work          | 17                   | 3                   |
| Oil and gas production | 7                    | 1                   |
| Other                  | 4                    | 13                  |
| Total                  | 107                  | 52                  |

Of course, potentially chemical production processes are particularly dangerous. This is why the editorial office requested that Yu. Kazyupa, chief of the Main Administration for Supervision in the Chemical Industry and Oil Refining, comment on December results.

A short report on an accident at the Krasnoyarsk Synthetic Rubber Plant, where four persons died and seven were injured, was published in TRUD on 20 November. A commission set up to investigate has completed its work. We may now discuss in more detail not only the extent but also the cause of this accident, which is typical of a degree—typical in the sense of the poor organization of work subject to explosion hazards and a low level of personnel training. However, all in good time.

In simple terms, a shop fitter was sent to examine the valve of a pump which is used to transport an explosive mixture of butadiene and acrylonitrile to the polymerization shop. After the lid of the valve was carelessly opened, products were discharged which ended up in the control room. An explosion followed... Similar accidents had occurred at other enterprises of the industry before. This is why instructions had been issued to put control consoles only in detached buildings which are resistant to the impact of a shock wave. However, they did not comply with the instructions in Krasnoyarsk, and they paid for it.

An accident on 4 December in Perm, at the Urals Halogen Production Association, was the first on the list of December accidents. An explosion occurred at a fluoroplastic production facility. Three people were wounded, and there was one fatality.

Another explosion occurred on 9 December at the Tomsk Petrochemical Combine Production Association. It was caused by a loss of sealing in a technological system which caused a substantial segment of equipment to break down. Several people were injured.

An accident at an oil refinery in Ufa belonged to the same "December series." A flange joint assembly lost its seal; hydrogen-containing gas was discharged into the atmosphere, and an explosion followed.

Alas, these are, for the most part, typical accidents.

An inspection found that at the enterprises of the chemical and lumber complex, only 607 facilities, or four percent out of the total of almost 15,000, were safe. The bulk of high-risk production facilities do not meet modern requirements: Their equipment is technically obsolete and outdated. It is no wonder that the accident rate is increasing, if we take into account sharply declining discipline combined with the poor professional qualifications of personnel.

Unfortunately, managers of various ranks come up with the same answer under the circumstances—there is no

necessary equipment. Indeed, the machine-building complex is in great arrears as far as the chemical industry is concerned. The situation has further deteriorated since the USSR Ministry of Chemical and Petroleum Machine Building ended up within the organization of the USSR Ministry of Heavy Machine Building.

However, they should not merely point fingers at the machine-building complex under the circumstances. The collectives of enterprises, ministries, departments, and associations may and should fundamentally change their attitude toward the technical safety of production facilities.

### **Moscow Unemployment, Labor Exchange Tasks Described**

914F0119A Moscow IZVESTIYA in Russian 19 Jan 91  
Union Edition p 3

[Report by T. Khudyakova: "The Moscow Labor Exchange: An Initial Forecast"]

[Text] Some 9.5 million people reside in the capital today; about 5.5 million are employed, about two million are pensioners, and 50,000 are unemployed. By the end of this year, the number temporarily out of work may reach 1.2 million, and 400,000 of them will be forced to register in the exchange. Half of the unemployed will be women.

A cutback in work positions will result from the elimination of unprofitable enterprises and the management components that have become unnecessary, as well as from structural shifts in the economy and the disruption of traditional economic ties.

These data were provided by Igor Zaslavskiy, general director of the Moscow Labor Exchange, at a meeting with scientists, experienced associates, and representatives of public organizations and women's councils in Moscow, organized by the Committee of Soviet Women.

In fact, the labor exchange as such will begin full operation on 1 February this year, but the features of the new structure are being outlined today. In the words of its manager, the market will have nothing in common with the job placement bureaus or the city's administration for labor and social affairs that existed until recently. Especially as these subunits have already been abolished. Rayon branches of the labor exchange, which will be playing the role of social protection organs such as these at first, are being set up on their base. Later on, they will become multifunctional centers to resolve an entire range of problems associated with work position and vocation selection, personnel training and retraining, and vocational reorientation for persons who will be forced to support themselves in a new capacity under the conditions of a market economy.

The information which Igor Zaslavskiy shared with his audience is very interesting and inspires a certain optimism, because the originality of its approach to the solution of a problem which is new for our society makes

an impression. The general director is not a supporter of the idea being advanced by government organs: rapid placement of all employees who have been discharged in the vacant work positions that exist today. This approach, he believes, has demonstrated its ineffectiveness by the work style of the job placement bureaus, which always proceeded "on the basis of vacancies" and could offer their clients a meager selection of poorly paid vocations with no prestige.

The labor exchange intends to play the role of a distinctive intermediary between the "buyers" and "sellers" of manpower. Incidentally, job fairs are already under way in Moscow, and many persons are finding work which suits them. This basically involves skilled specialists who are in very high demand.

The need for services of this kind will continue in the future as well, but there is no doubt that the supply will diminish. The exchange's work with such clients will differ substantially from its work with the bulk of the unemployed, who will inevitably face the problem of their daily bread and the means of obtaining it sooner or later.

The Moscow Personnel Center (its address is Rozhdestvenka, 8) already exists for this category of unemployed persons registered in the exchange, and arrangements are being made with the city vocational and technical schools, which are prepared to provide their production capacities for work under contracts. As of today, the personnel center is retraining unneeded planners to be bookkeepers and it is training managers and programmers. The exchange's plans include the establishment of a distinctive institute of public work in municipal services. Persons registered in the exchange will be able to obtain temporary employment in municipal services. It is also proposed to divide the work into two or three positions so that those who need a job can at least work by the hour.

Experience such as this is already being accumulated, by the way. The Moscow Labor Exchange has assumed the responsibility of seeking employment for former convicts and bomzhi [persons without a fixed residence]. They are employed in work with the least prestige and difficult loading and unloading operations, and shelter for the night and food coupons will be organized for them at critical points in their lives.

Well, what will happen to the women who are already losing their jobs today? Those at the gathering were interested in this. To our considerable regret, it was revealed that the problem of unemployed women and the specific aspects of it are not reflected at present in the plans of those who established the labor exchange. In the meantime, the specifics of this problem not only exist, but are acquiring features that are more and more pronounced. According to data from the Committee of Soviet Women and people's deputies from the women's councils, women with a higher and secondary specialized

education are losing their jobs more and more frequently. For reasons that are understandable, they are refusing the traditional offer of retraining to be workers in the trade and services field.

Consequently, it is already essential today that we concern ourselves in earnest with a special program to place women in jobs. I. Zaslavskiy expressed his readiness to collaborate by offering to include the Committee of Soviet Women in the exchange's board of directors and to work to develop a program on an equal footing. A proposal to organize job fairs especially for women who are out of work was also approved.

On the whole, in assessing the hypothetical number of unemployed in Moscow, Zaslavskiy expressed a certain optimism. He believes that 9 or 10 percent unemployment corresponds to the average indicators for many of the large cities in the world's developed countries.

#### **Fergana Aid Fund for Unemployed Set Up**

91P50091A

[Editorial Report] Moscow IZVESTIYA in Russian 1 Jan 91 Union Edition on p 1 carries a report entitled "Aid Fund for Unemployed in Fergana" in which it is stated that, according to the Uzbek Information Agency,

approximately 25,000 people are out of work in Fergana Oblast. With the transition to a market economy, the number is growing, while the living standard is falling. The Fergana Zhilsotsbank opened an account earmarked for the unemployed, but the paradox is that in spite of the "army of unemployed" there are many job advertisements to be seen. Most of the vacancies are from the specialists who left the republic after the interethnic conflicts in Fergana.

#### **Siberian Teachers Demand Higher Pay**

91P50092A

[Editorial Report] Moscow RABOCHAYA TRIBUNA in Russian 26 Dec 90 on p 1 carries an IAN report noting that 1500 teachers from the Siberian oil workers' town of Nizhnevartovsk signed an ultimatum addressed to the city council of people's deputies. They consider it unjust that their salaries and living standards are significantly lower than those of the oil workers whose children they teach. Over 1,100 teachers have no housing, and 400 cannot place their children in nurseries or kindergartens. Their demands include salary raises, assigned apartments, daycare slots, and health resort and treatment center passes.

## CIVIL AVIATION

### Role of Design Flaws in Aircraft Incidents

91UM0229A Moscow *RABOCHAYA TRIBUNA*  
in Russian 22 Dec 90 pp 1, 5

[Article by Sergey Doronin, *RABOCHAYA TRIBUNA* military columnist: "Personal Safety Is Not Guaranteed"]

[Text] Major Yuriy Zakharevich's crew was forced to bail out in the ninth minute of flight. There was no other way out left for the airmen. A fire in the engines resulted in destruction of the aircraft in the air. Only three managed to escape—Lt Sergey Kosyrev, Lt Col Anatoliy Buryanov, and the commander. Pieces of flying metal cut the shroud lines of Capt Vladimir Shadrin's parachute.

The missile-carrier that burned out on the ground claimed another casualty. A person who was in the vicinity was fatally wounded by a fragment from an exploding oxygen bottle.

A board would later establish that a design flaw was the cause of the accident.

It seems, society already understood that military service is not just parades and inspections. Another aspect of it also comes to mind—in addition to everything else, it also entails danger to one's life.

But there are all kinds of danger. There is laxity, personal carelessness, poor training of personnel—all of these are a precursor to the majority of accidents. One out of every two deaths in the armed forces occurs for this reason.

There is also another thing. Imperfection in combat equipment that occurs in the stage of development and experimental and series production.

Flaws, imperfection... They should not be, but nevertheless exist. There is perhaps not a single branch of troops whose equipment is up to par without exception.

How can we not share the concern of N. Naruzhnyy, an air regiment commander of the North Sea Fleet, who talked about the qualitative condition of his unit's aircraft fleet at a meeting between the USSR President and the military people's deputies. The physically and morally obsolete aircraft which are constantly patched up and which are flown. I will be more precise: they carry modern weapons, but have navigational and radio systems from the past war.

In fact, no one can guarantee the personal safety of the TU-160 crews 100 percent, if I can put it this way. The operating period of the missile-carriers, extended several times, has reached a critical point. I will explain what this means: the aircraft may simply fall apart in the air. For the time being, there is only one thing left for the pilots to do—prepare themselves psychologically for unforeseen situations that occur due to equipment malfunctions in flight.

The example given is not the only one. Take, for example, the TU-142M that was modernized several years ago. I understand the dissatisfaction of the pilots and engineering and technical personnel with it. You do not fly many hours with landing gear nacelles that disintegrate due to design flaws. Trouble is not far away. You may not take off, or you may crash on landing. Or you may demonstrate composure and heroism, saving an emergency vehicle.

Another thing is obvious. Some of these aircraft in Naval Aviation and Long-Range Aviation, instead of a proud life in the sky, drag out a miserable existence on the ground. What kind of professionalism and high combat readiness do we have with such a state of affairs?

All of this could have been avoided if the designers were not unyielding in their mistake and did not look in the wrong places for the parties responsible. By decreasing the aircraft's weight by several hundred kilograms (for the sake of installing additional equipment), they focused all their attention on testing the onboard equipment during flight tests. If the equipment somehow justified the hopes being placed on it, the lightened nacelles did not hold up under extended operation.

The litigation between the aviators and designers has lasted since 1985. Only recently was a decision made about a plant modification of aircraft that are in service, for which the army, not the designers, is paying. As you can understand, this will cost a fortune.

What kind of equipment and armament should we have? The answer is clear: similar in combat capabilities to foreign equipment and armament, or even better. Of course, all this costs a pretty penny. But no one will economize on defense for the sake of the very process of economizing. The state gives all the very best to defense. Demanding one thing in exchange—quality, combat effectiveness, reliability.

Why then does the navy receive submarines whose noise level exceeds all permissible limits? On whose whim and with whose input was obviously useless communications equipment, which test results confirmed, forced on the troops? This venture, you cannot pick another word, simultaneously drained the state treasury of a tidy sum. The creative "search" of the developer was estimated at 16.8 million rubles [R]. Add to that another R20.6 million, which measures the cost of the incomplete equipment manufactured by industry.

It is a shame, of course, that money was thrown away because of someone's professional negligence and dishonorableness. It is gone forever. We can take consolation in one thing: nothing threatened a human life in this case.

However, it sometimes happens differently. When a designer's oversight and rejects result not only in equipment malfunctions.

...The eighth and ninth compartments with its people were burned out on a nuclear-powered submarine surfacing from a great depth; the main propulsion assistant, Capt-Lt Viktor Milovanov, and Sr Lt Sergey Yarchuk were able to maintain speed. And they remained at the nuclear propulsion control panel.

Here are a few lines from a letter from R. Minyayev, engineering officer: "...not every person could have immediately controlled two reactors in an emergency situation with two hands, and then, a half hour later, bring other mechanisms to the initial position. I remember how Milovanov, with blood foaming on his lips and in a semi-conscious state, crawled up to the central control compartment."

The tragedy in February 1972, which took the lives of 28 submariners, occurred because of a design flaw.

The greatest cost is in human life. The army cannot avoid this as long as there are oversights and technical miscalculations in developing equipment and armament. I cannot say how many such incidents happened before, since these facts are not made public. What we do know is an exception to the rule. But if you systematize even those bits of information that have leaked out into the press, you can understand what the scale of tragedies may be.

The crash of a military transport aircraft with 48 paratroopers on board at the end of last year in the vicinity of Baku. Pilots were not at fault—it was the equipment...

It would seem that it is clear where to give credit. It is also clear to whom we should give it. Nevertheless, the system of protection does not always work. Col Gen (Ret) Yu. Mansurov, a person of duty and honor, who in his time was not afraid to go alone against those who had already seen the flawed TU-144 on the country's passenger airlines and who held out to the end in this struggle, explains this simply: mutual connivance.

In the order of things, adjustments toward simplifying tactical and technical assignments, which determine the characteristics of future experimental models. Their unreliability and safety as a result. Postponing the deadlines for their manufacture. State testing completed by the signing of documents, where sometimes hundreds or even thousands of comments were listed. Often they were not minor ones, but allowed putting the item in the inventory...with subsequent modification. This modification then dragged on for years, devouring considerable resources. This is how the customer, the developer, and the manufacturer end up tied together.

The aircraft-carrying cruiser "Admiral Flota Sovetskogo Soyuza Kuznetsov" [Fleet Admiral of the Soviet Union Kuznetsov] (formerly the "Tbilisi") also went through all of this. I will not make false allegations against the shipbuilders. They built what the designers had been working on for more than one year. And they worked pretty well, I would add. That is, if you consider them as a whole.

But there are details, so to speak, of a technical nature. Without taking them into account, one cannot talk about the absolute perfection of the cruiser and be confident that it will fully justify the hopes placed on it. The customer—the military department—brought quite a few of them to light. Even more observations were gathered by the governmental commission.

I do not want the readers to get the opinion: How can it happen that an unfinished cruiser would take its place among operating ships? In general, it was ready; personnel began mastering the equipment and armament. In this situation, something else is not understandable—the persistent repetition of previous mistakes. And officers of the crew talk about this with resentment.

How can you control a ship normally when the plan position indicator on the bridge malfunctions? That is the only way. That is how the designers planned it. How can you support flights from a snow-covered, ice-coated deck? There was no gas-jet machine before, and there is none now. How to rescue a pilot or throw a burning aircraft overboard if, like before, there is no appropriate equipment?..

Things sometimes reached the point of being strange. How much the commander demanded and pleaded: computers and software were needed for controlling the ship and checking and selecting a variant of crew actions in emergencies... An elementary mistake can be costly. He finally persuaded them. Not the designers but the fleet leadership helped—they gave him the computers. They were not new, but they were still computers.

"We often run into a closed door with our questions," the ship specialists shared their pain. "It is just that the designers regard our opinions as a nuisance."

For example, the living conditions on the cruiser are quite far from ideal. To this they reply: the Americans have it even worse. But after a month-long cruise, the entire American crew relaxes on shore for couple of weeks. We spend a minimum of six months without leaving the ship.

Or take the fluoroscope, how can physicians work without it? How can they diagnose the injured? Our design does not have one, they did not provide for one. Or did they forget? There are over 2,000 personnel on board.

I can imagine what the daily procedure for receiving provisions will turn the seamen's life into. Its delivery on board from depots, loading, unloading: storage rooms are located below, and they have to go get them and go get them.

"We pointed this out to the developers back during the construction stage," says the commander of the cruiser, Capt 1st Rank V. Yarygin. "And they did nothing. State testing showed that the entire crew would have to be put into action, there is no other way."



The commander is right; he does not need loaders, he needs reliable specialists. They train in exercises, training sessions, and during the course of servicing equipment and weapons, not in housekeeping work. And all these aspects are not secondary. They have a direct bearing on the crew's combat readiness and also on people's safety.

A number of fundamentally important questions never were resolved on a single level because industry is most strictly forbidden to do anything without the knowledge and approval of the production design bureau and because it is difficult and not to his advantage for the designer to change something. It is easier to torpedo a complaint by a simple and smooth method: classify the remark as a proposal that one does not have to be in a hurry to implement and that can be left for later.

When it comes to "small things," here the crew specialists sometimes act by appeals to the plant management to help the Navy and sometimes, as it has become so fashionable, by barter: a bottle of booze and several kilograms of butter presented to a worker are stronger than any bans.

Is this not why more and more often reports full of drama burst into our already uneasy life: somewhere again an aircraft engine has malfunctioned, a helicopter has crashed, or there has been emergency on a submarine... Sometimes we find out about those who ended up in trouble. But when will we find out about those who could have prevented this trouble but did not do so?

**From the editor.** This article touches upon only part of a very important problem to which we wanted to call attention. The present procedure of ordering, developing, and manufacturing experimental and series models of equipment and armament is in need of review in a series of its fundamental aspects. This has to do with the existing system of monitoring their quality, reliability, and safety in operation; ensuring real independence of customers and military acceptance from departments and industry; questions of financing scientific research and experimental design work, weapons acquisition...

We think the readers have something to share with us on this account. We await your responses. The telephone number to contact us is 257-25-20.

## RAIL SYSTEMS

### Minister Interviewed on Rail Performance, Plans

914H0093A Moscow GUDOK in Russian 1 Jan 91 p 1

[Interview with N. Konarev, minister of railways, by N. Davydov: "We Will Demonstrate Our Best Qualities"]

[Text] This conversation between our correspondent and Nikolay Semenovich Konarev, minister of railways, took place on the eve of the new year, when it is the practice to cite results and announce plans for the future. We are all very familiar with the fact that our society is going

through a complicated period, and therefore the readers will undoubtedly be interested in how the leader of this sector views the work performed by the railway men and the prospects for the future.

[Davydov] Nikolay Semenovich, what would you like to say about the results of the sector's operations in 1990?

[Konarev] In an unbelievably complicated economic and political situation, having a high percentage of obsolete rolling stock, the railway men nonetheless ensured the transportation of food, fuel, and passengers at targeted volumes. As a result, despite a significant reduction in the general volume of transportation and nonfulfillment of a large number of indicators characterizing the work of the sector, I have every reason to thank the absolute majority of collectives and all the transport workers for their honest and conscientious work.

I especially wish to stress the spirit of internationalism inherent in our people. There were no confrontations on nationalist grounds in the collectives of railway men. I believe that this is not an accident, but rather a result of the high conscientiousness and understanding of that important role with which the state has entrusted us. That is to say, whatever political processes take place in the country, the trains must run on schedule. This is in the interests of the state as a whole and of any republic. I extend sincere thanks to all railway men for not permitting strikes and also for giving a firm rebuke to all those who tried to incite strikes.

[Davydov] The new year is approaching, and you probably have some specific wishes for the railway men.

[Konarev] First and foremost, I would like to offer my heartfelt congratulations to all of our workers and the members of their families on the New Year of 1991. I wish them prosperity, success in work, personal happiness, and achievement of all the goals that our country has set.

It seems to me, upon meeting the new year, we need to ensure as never before that 1991 will be successful. We must do our work thoughtfully and make sure that everything positive that the transportation industry and our people have at their disposal—loyalty to the cause, responsibility, and discipline—are not lost but are instead multiplied. After all, the transition from a planned directive-oriented system of management to a market requires that each person demonstrate his best features and mobilize his moral and spiritual qualities.

[Davydov] The transition to a market that you just mentioned worries literally everyone at present. How do you see this process in the transportation industry?

[Konarev] Whatever model for running the economy one proposes today—in regard to property relations and ties between enterprises—it should be kept in mind that if output of production is not increased there will be no improvement of the financial system. This fully relates to our product as well—transportation. An increase in

income is impossible without an increase in the freight and passengers moved along the rails.

But the situation under market relations is such that we personally have to concern ourselves with the growth of transportation and create conditions for it. That is to say that we have to meet the cargo and passengers halfway. Such factors as speed and quality of transportation will begin to have a decisive significance. And for that we need to develop our commercial and financial activity and raise it to a higher degree, and we need to encourage all forms of healthy enterprise.

[Davydov] In an unstable situation such as we are now undergoing, my next question may seem out of place. Nonetheless, can the railway men hope that they will live better and earn more in the new year?

[Konarev] Based on what was said above, I can repeat once more that as we work so we will live. Therefore, in each collective the transition to market relations should be combined with concern for preserving social programs. And first and foremost we must think about reducing the costs of repairing transportation equipment of all types in order to free up a portion of this money to develop the social sphere: construction of housing, hospitals, polyclinics, and stores and expansion of personal subsidiary plots.

Incidentally, according to our estimates, 1991 should offer a jump in the production of food goods on personal subsidiary plots. The average wage throughout the sector is supposed to be raised to 350 rubles [R] (at present it is 311). In base profession wages have already reached R400-R450 and more. Where the financial situation permits, the leaders have the right to make wider use of funds for material stimulation. And of all consumption funds on the whole.

[Davydov] And permit me a last question. Currently transportation has many problems and difficulties. Our readers would like to know if there is a way out of this situation.

[Konarev] There really are many bottlenecks. First and foremost these consist of insufficient deliveries of new locomotives, cars, ties, lap switches, equipment, spare parts, etc. Thus we need to look for appropriate opportunities to reduce shortages and organize joint production with our firms and foreign firms. This is a real way to increase production of the output we need. We believe that even GUDOK can help us in solving these problems.

I believe that we should converse in greater detail on this question, but it is getting late. The subject will serve as a separate conversation. In conclusion I would once more like to congratulate everyone on the New Year and wish everyone the best.

## MARITIME AND RIVER FLEETS

### Official Discusses New Maritime Fleet Budget

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17 Jan 91 pp 1-2

[Report on interview of V.A. Tetenov, chairman of the Soviet of the Union Commission on Questions of Transport, Communications, and Information Science, by VODNYI TRANSPORT parliamentary correspondent L. Yershova: "Millions for the Ministry of the Maritime Fleet"]

[Text] As has already been reported, the state budget for the current year was adopted at a session of the USSR Supreme Soviet at the end of last week. What effect will it have on the development of maritime transport under conditions of the transition to a market? These and other questions from our parliamentary correspondent are answered by V.S. Tetenov, chairman of the Soviet of the Union Commission on Questions of Transport, Communications, and Information Science.

[Tetenov] After the Fourth Congress of People's Deputies, the legislative plan established favorable conditions for the coordination of activities of transport enterprises and the development of all economic structures. But transport today, as is known, is in an extremely difficult position—it is undergoing massive aging.

Taking the situation that is developing into account, our commission, in reviewing the draft plan and budget for the current year, was fully determined to help the transport workers.

[Yershova] In what way? Because the situation in the country is extremely complicated, and there is still no economic agreement between the republics.

[Tetenov] We did not have the time to wait. In this situation, we were relying on the understanding of the leaders of the republic. For practically all of them recognized that maritime, railroad, and air transport must fall within the jurisdiction of the Union Government. After collating our calculations with documents that were presented by the transport ministries, the USSR Ministry of Finance, and the USSR Gosplan [State Planning Committee], we submitted a request to the USSR Supreme Soviet to earmark capital investments for the future development of the transport branches, communications, and data processing. In particular, we requested the allocation of 329.6 million rubles [R] to the USSR Minmorflot [Ministry of the Maritime Fleet], taking into account the studies of the ministry itself.

[Yershova] Is this a lot or a little?

[Tetenov] It is enough for maritime transport to function normally in the current year.

[Yershova] And what sum did the Ministry of the Maritime Fleet get as a final result?

[Tetenov] The entire sum, right down to the kopek. The resources were allocated from the so-called stabilization unappropriated fund. However, this is a temporary measure that is attended by the difficulties of the economic situation in the country. Henceforth, they must be allocated centrally from the USSR state budget.

[Yershova] In your opinion, what will the current year be like for your branch?

[Tetenov] It will be unusual. This is associated with the fact that laws are already in effect, in accordance with which a centralized fund cannot be established at the ministry at the expense of resources for the enterprises. This means that those shipping lines and enterprises of the branch that have a profit and operate profitably will receive a further incentive for their own development and resolution of social questions. Unprofitable enterprises can end up in an extremely difficult position—for the ministry will not be in a condition to give them any kind of financial support. Only Union financial organs are able and should render real support to such enterprises. This question is now being addressed.

[Yershova] But what about foreign currency?

[Tetenov] We went to the government with a request to allocate 770 million foreign currency rubles from the Union-republic foreign currency fund for the USSR Ministry of the Maritime Fleet. Simultaneously, the

question was raised about the payment of foreign currency operational expenditures of maritime shipping lines at the expense of foreign currency receipts from the conveyance of foreign cargo and passengers and from other services. The task of the commission—jointly with the management of the ministry—is to arrive at a positive resolution of this question as well.

[Yershova] Valentin Afanasyevich, are there other urgent questions?

[Tetenov] Of course. Well, for example, the question of the Cabinet of Ministers has been decided, but we do not know what kind of Union ministries will continue to exist. The commission believes that the USSR Ministry of the Maritime Fleet must remain in the transition period of economic reform. Our proposals are perceived in a positive way. The USSR Ministry of the Maritime Fleet is also in the planned drafts of the new structures of the executive authorities in the Cabinet of Ministers.

We are planning to continue work on the draft USSR Law on Railroad Transport and to submit this draft law for a second reading at the fifth session of the USSR Supreme Soviet. There are plans this year for the development and adoption of a USSR Code on Mercantile Navigation and a USSR Aviation Code.

[Yershova] Thank you for the interview.

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